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Energy matters now come under intense govt focus

MUSHTAQ GHUMMAN

ISLAMABAD: Cabinet Committee on Energy (CCE), headed by Prime Minister Nawaz Sharif, has reportedly called former Secretary Water and Power Younus Dagha for a detailed presentation on the issue of load-shedding and energy projects scheduled to be completed in 2017 and 2018 on Monday (tomorrow), sources told Business Recorder.

The premier, the sources added, has also directed the Ministry of Water and Power to audit the figures of losses, recoveries and other claims of NTDC and Discos.

Official data painted a bleak picture of performance of power sector during the last three years as recovery percentage at the end of the second quarter of the FY 2016-17 remained at 88 per cent as against the regulator's fixed target of 100pc, besides it saw a five per cent extra losses against the set target.

The sources said when the issue of recovery and losses came under discussion, the newly-appointed Water and Power Secretary Yousaf Naseem Khokhar suggested that a third party be hired for verification of the claims made by the ministry and power distribution companies about substantial improvement in line losses and bill recoveries. The new secretary while challenging the claims of his predecessor has proposed audit of the statistics. The former secretary has maintained that the power sector has turned a new leaf in its history in all respects as he has claimed that recoveries improved from 88.6pc to 93.8pc and losses declined from 19.1pc to 17.9pc with an overall additional cash benefit of Rs116 billion. Dagha had also claimed that load-shedding of 12-15 hours was down to zero for Industry, 4-6 hours for domestic consumers whereas tariffs were down: for solar Rs17 per unit to 6/unit; wind Rs15 to 6.50/ unit; RLNG Rs 9.5 to 6.6/ unit, while coal was also expected to go down from Rs8.5 to 7/unit.

He is also said to have on record that an additional 10,000MW would enter the network in the next 12 months, and the country is set to come out of load-shedding by August 2017.

According to the ministry's secretary, National Electric Power Regulatory Authority (Nepra) was responsible for growing circular debt. "Owing to difference between Nepra's assumption of 100pc recoveries and average 15.3pc line losses against actual recoveries and losses, the circular debt surged from Rs320 billion in October 2014 to Rs374 billion in December 2016," he added

Holding the Finance Ministry responsible for the liquidity crunch in the energy chain, the incumbent Water & Power secretary maintained that his ministry did not tighten the noose around inefficient power companies that failed to curb power theft.

Official sources said that after a detailed discussion on the country's energy situation, the committee sought a detailed briefing in its next meeting about the energy projects in the pipeline, scheduled to be completed by early 2018, with realistic timelines, including installed and available capacity of each project.

"A comparison of timelines for load-shedding and projects given earlier by the former secretary of Ministry of Water & Power and presently projected by the Ministry of Water and Power may be included in the presentation. Younus Dagha will also be invited to the next meeting," the sources added.

The issue of dispute with M/s Fatima Energy Limited also came under discussion and the committee decided that a well reputed counsel should be engaged to defend the position of the federation in the court against the petition of M/s Fatima Energy Limited.

The committee also directed the ministry to submit realistic load-shedding management plan for summer 2017 and beyond.

The CCE took the following decisions: (i) resolve the issues with Nepra pertaining to power sector, including generation and distribution tariff and submit a report to the CCE in its next meeting; (iii) update the CCE about the progress on Diamer Bhasha Dam and Dasu Dam projects

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in its next meeting; (iv) have a detailed review of Neelum-Jhelum and Tarbela-4 hydropower projects with the Wapda chairman. If necessary, Wapda chairman may also be invited to the next meeting; and (v) a vision of power sector beyond 2018 may also be given in the next meeting.

The sources said that following the CEE meeting, Federal Minister for Water and Power Khawaja Asif, Secretary to the Prime Minister Fawad Hasan Fawad and the incumbent secretary of the ministry held a detailed meeting with Wapda chairman, General Muzammal Hussain(retired) on April 11, 2017 in the committee room of the ministry.

The sources said the minister and secretary to the PM were not happy with the Wapda chairman's briefings and his auxiliary project experts. The minister observed that he is not an expert, but the figures and statistics of different officials do not match.

Wapda chairman was seen the next day at the site of 969MW Neelum Jehlum Hydroelectric Project with its first unit scheduled to be operational by Feb 28, 2018. However, completion of 1410MW Tarbela-4th extension may be further delayed.

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SECP seeks action against market manipulators

ISLAMABAD: The SECP has ordered an investigation under Section 139 of the 2015 Securities Act against a few securities brokers for market manipulation through misleading trading activity. The SECP Chairman has directed the SECP officials to address this issue through aggressive policy measures and ruthless enforcement. The battle lines between the apex regulator of the stock market and the market manipulators have now been drawn.

For a number of years, some market manipulators have been defrauding the public through deceptive trading practices. One such practice is entering bids and offers with the prior intent of cancelling them before trade execution, commonly known as spoofing. Another such practice is entering multiple bids or offers to create the appearance of false market activity.

The actions of these manipulators are responsible for creating large movements in prices of securities that cannot be justified by any economic logic. Such manipulation undermines investor confidence and distorts the perception of stock market as a rigged casino, which is clearly prohibited under the Part IX of the 2015 Securities Act.

Three months ago, the SECP had tasked the stock market surveillance team with analyzing index movement trends to identify those involved in market manipulation through deceptive activity. Detailed analysis of KSE-100 index movements and order placements during the period has highlighted that some securities brokers were most prominent in deceptive trading.

These securities brokers deliberately interfered with the workings of the market to defraud investors. They placed particularly large false buy and sell orders and created artificial market activity. During this time, significant volatility was observed in the prices of relevant securities.—PR

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One Belt One Road to benefit half of world's population: Dar

WASHINGTON: Finance Minister Ishaq Dar says One Belt One Road vision of Chinese President will benefit half of world's population. Talking to his Chinese counterpart in Washington on Saturday, he said Pakistan will play its due role to carry forward this vision.

The Minister said Asian Infrastructure Investment Bank is also a great initiative of China and Pakistan has always been its supporter.

The Chinese Finance Minister congratulated Ishaq Dar on putting Pakistan economy on robust growth track.—NNI

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Taxable supplies to tariff areas:

Budget likely to introduce mechanism for FATA, PATA

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ISLAMABAD: The upcoming federal budget (2017-18) is expected to introduce a mechanism for businessmen/manufacturers operating in non-taxable areas of Federally Administered Tribal Areas (FATA) and Provincially Administered Tribal Areas (PATA) and making taxable supplies to the tariff areas in Pakistan for assessment of income tax, sales tax and federal excise duty.

Sources told Business Recorder here on Saturday that the budget makers are reviewing the budget proposal of the Directorate General, Intelligence and Investigation Inland Revenue for 2017-18.

Under existing laws of Income Tax Ordinance 2001 and Sales Tax Act 1990, there is no concept of spot payment as presently done by businessmen of FATA/PATA making taxable supplies to the tariff areas in Pakistan and paying taxes on the spot if intercepted by any FBR agency while entering into tariff areas. Such ad hoc arrangement may be replaced with a full-fledged mechanism for manufacturers operating in non-taxable areas of FATA/PATA and making taxable supplies to the tariff areas in Pakistan. This procedure may include a foolproof system to recover taxes from manufacturers of goods in FATA/PATA when entered into the tariff areas of Pakistan.

According to details, the attention is drawn towards the chargeability of sales tax on goods supplied from FATA/PATA (non-taxable) area. It is brought into notice that the chairman FBR has tasked the Intelligence & Investigation Customs for checking such vehicles carrying out goods from non-taxable areas of FATA and PATA to tariff areas of Pakistan. They stopped a few vehicles but lacked the legal power to search, seize the IR taxes. They, therefore, referred the matter to intelligence IR. The legal aspect of this matter has already been clarified vide the above referred letters issued by the board and the relevant is reproduced as a ready reference:

The person located in FATA/PATA if making supplies of taxable goods (outside tribal areas) is also required to get registered, if he wants to get into the business of taxable supplies in Pakistan, he has the option of voluntary registration under the Sales Tax Act, 1990 and then he should issue prescribed tax invoices and charge sales tax.

The above letters were later on endorsed by another letter issued by the board …No.2(38)ST-L&P/97 Vol-III dated April 6, 2016 and likewise the Peshawar High Court Peshawar has also adjudged it vide judgment in the writ petition # 916-P/2013 with IR to "….direct the federal government to take necessary steps to formulate a uniform policy for seeking securities from the persons importing goods, consumption and utilisation in FATA or PATA, so that the immunity provided under Constitution is not abused and in case the imported goods are utilised or sold out…. area, than the revenue of the state is recoverable from securities so provided."

In the said judgment the court directed the federal government for appropriate steps to ensure that persons carrying on business in FATA/PATA …..area are offered immunity from the payment of income tax and sales tax under …provisions. However, it also showed its concern against abuse of this immunity. The federal government/ FBR has yet to implement the court's order for devising a mechanism to obtain knowledge about the quantity and quality of goods transported by manufacturer/ importer/ traders for sales into taxable territories.

The FBR chairman verbally directed the customs authorities to intercept those vehicles laden with taxable goods entering from Dargai, Malakand (PATA), (non-taxable area) to taxable area. Following these instructions, I&I-Customs intercepted a vehicle laden with steel bars ingots which was handed over to inspector, I&I-IR, Camp Office, Mardan, for further proceedings as per law. Further investigation was carried out under section 176

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of the Income Tax Ordinance, 2001 from personnel of the vehicle with regard to ownership of vehicle, destination of the vehicle, ingots laden and sales tax/ income tax paid thereon. Since the taxpayer was not a registered person under the income tax/ sales tax laws and he therefore neither paid the taxes thereon nor has he provided any sales tax invoice thereof. Owner of the goods laden, when asked about the payment of taxes, voluntarily admitted the liability of the goods laden in the truck and showed his consent to pay off sales tax liability. Consequently, he paid an amount of Rs 328,060 @ 19% including further tax. Similarly, five other vehicles/ trucks carrying taxable supplies from non-taxable to taxable areas were intercepted with the help of Customs Intelligence & Investigation. These vehicles were investigated under section 176 with respect to their origin, nature, quality and quantity, value and destination of goods transported from non-taxable to taxable areas. Statements of drivers were recorded as well. Voluntary payment of Rs 71,728 was made under section 153 of the Income Tax Ordinance. In a strictly legal sense, the concept of spot payment is not present in Income Tax Ordinance or Sales Tax Act. Such time and manner of payments is not allowed under IRS laws. However, the payments were made voluntarily, as the owners of the goods were holding a low moral ground and understood the fact that they were consciously evading taxes. Having said this, it is observed that even though the higher courts and the chairman FBR are both cognisant of the situation, the department does not have the legal cover to stop, search, or recover due income tax as well as sales tax. The most important aspect to stop, search, and valuate the goods transported through vehicles has been proposed in the budget proposals.

Since the taxpayer was not a registered person, the online system of FBR was unable to allow deposit of the payment of sales tax liability in the absence of sales tax registration number. Ultimately, the sales tax liability was deposited using Free Tax Number (FTN) of Regional Tax Office, Peshawar. It is, therefore, requested that the online system of FBR may be modified to allow payment of sales tax liability while using CNIC of the unregistered person in absence of STRN.

In the light the facts, a mechanism needs to be devised for the persons carrying on business in FATA/PATA (non-taxable area) making taxable supplies to the tariff areas in Pakistan so that valuation of the goods can be made for the purpose of levy of amount of income tax, sales tax and federal excise duty under the relevant laws, sources added.

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79 suspicious transaction reports being investigated

SOHAIL SARFRAZ

ISLAMABAD: Directorate General, Intelligence & Investigation-Inland Revenue (IR) is thoroughly investigating 79 Suspicious Transaction Reports (STRS) received from Financial Monitoring Unit (FMU) of State Bank of Pakistan (SBP), covering high risk areas of money laundering i.e. real estate dealers, precious metals/stones dealers and financial sector.

According to the annual report of directorate for 2016, there are seventy nine Suspicious Transaction Reports (STRS) which have been received from FMU since 09.06.2016 (issuance of notification) till 31.12.2016 and investigations in all cases are underway in the concerned Directorates of I&I-IR. As soon as cases are finalized, FMU shall invariably be informed about the outcome of the same.

The agency highlighted that the proceeds of crime can easily be invested in the stock market for purpose of money laundering as no compliance to AML is required. Suspicious transactions are not reported to FMU. There is no effective mechanism to check sources of proceeds of an institutional investor.

Major Risk Areas in Money Laundering revealed that Pakistan promulgated its first money laundering law in form of Anti Money Laundering Ordinance in 2007 which was reframed in form of Anti Money Laundering Act, 2010. According to AML Act, 2010, offence of money laundering includes that a person shall be guilty of offence of money laundering, if he acquires, converts, possesses, uses or transfers a property knowing or having reason to believe that such property is proceed of crime or a person conceals or disguises the true nature, original location, disposition, movement or ownership of a property, knowing or, having reason to believe, that such property is proceed of crime. Money laundering is the process of disguising the proceeds of crime and moving value through the use of any medium like trade, investment in real estate etc. in an attempt to legitimize their illegal origins.

Proceeds of crime are invested in those sectors where there is least documentation and it becomes easy to give legal cover to ill-gotten money. The serious threat posed by this menace to the very existence of the state and social fabric is paramount. The AML Act criminalized the offence of money laundering and added a wide range of predicate offences. Sectoral vulnerabilities to the acts of money laundering in Pakistan manifest great variety. Some sectors of economy have very effective frameworks and procedures in place to check money laundering while other sectors lack fundamental regulatory mechanism. In order to counter the acts of money laundering it is imperative to have knowledge of the national economic structure as well as vulnerabilities of different business sectors in relation to their contribution to money laundering threat. Major risk areas for money laundering in Pakistan include real estate dealers, precious metals and stones dealers, and financial sector.

Real Estate: Real estate is one of the most attractive areas of investment for Pakistani citizens at home and abroad. As per statistics provided by Pakistan's Ministry of Commerce, real estate investment constitutes about 2 percent of GDP and according to a study about 7 billion rupees have been invested in the real estate which are untaxed. It is a favourite area for parking proceeds of crime and has high vulnerability for money laundering.

Real estate service providers make deals between buyers and sellers of property against predetermined commission. Typically a property dealer is responsible for getting the paper work done in a deal for both seller and buyer. Mainly business of real estate is not regulated in Pakistan. Real estate agents are registered under Real Estate Agents & Motor Vehicle Dealers Ordinance, 1980 by the provincial authorities. Property ownership, title, sale, purchase, leasing and other transactions relating to real estate are governed by different laws including Registration Act, 1908, Stamp Act, 1899, Land Revenue Act, 1967 and Transfer of Property Act, 1882. Real estate is highly vulnerable to money laundering for the following reasons:

The real estate agents are not very well educated and licensing and registration process is not very stringent. Hence, the real estate dealers are not able to appreciate the AML.

Currently, no standard operating procedure or code of conduct is in vogue to check money laundering in real estate sector. The regulatory framework in place is obsolete.

Capacity building, training, certification and impending knowledge regarding anti money laundering is non-existing for the real estate agents.

There is no price determination mechanism in the real estate sector. Transactions are recorded at very lower side as compared to fair market value of property. In a cash based economy in absence of any updated rate lists real estate sector becomes a safe haven for the money laundering activities. There is no reporting of unusual and suspicious transactions.

Precious Metals & Stones: Precious metals like gold and gem stones are not only used during marriage ceremonies but also attract the investors as it provides easy mechanism for long-term savings. Due to the fact that these precious metals & stones can be easily moved the risk of using this medium in money laundering is very high. As the precious metals & stones carry large value they are preferred over cash. There is no regulatory or supervisory mechanism in place for this sector. In a cash based economy there is great ease and convenience to invest the proceeds of crime in this sector. Lack of awareness among the dealers about money laundering laws and absence of supervisory oversight makes this sector most vulnerable to be misused for money laundering. Through the size of this sector in economy is small yet its vulnerability is very high. Income Tax Rules require the traders to maintain books of accounts along with other record of transactions but need for specific and effective supervision, licensing, registration and reporting mechanism for dealers of precious metals and stones is undisputed and imperative.

Financial Sector: It is one of the major sectors of economy of Pakistan and consists of banks, securities, National Savings, insurance and non-banking financial institutions. As of December, 2015, aggregate assets of the financial sector were about 68 percent of the GDP of the country

Banks hold 74 percent of the financial sector assets. Though bank input is verifiable and effective monitoring mechanisms are in place its vulnerability to money laundering cannot be overlooked. Regulatory framework for banks in Pakistan is principally based on Banking Companies Ordinance and State Bank Act along with more than dozen supplementary laws and regulations. Anti money laundering laws in Pakistan mainly focus on liability products and least attention has been paid to asset based products. There is a need to have clear instructions to banks to have specific controls applied on asset based products. Banking sector needs to have more stringent regulatory framework, develop risk profiles of its customers, to fix integrity issues of staff and put in place bio-metric technology in all bank branches for customer identification in order to effectively cope with issue of money laundering.

After integration of Lahore, Karachi and Islamabad stock exchanges, securities market of Pakistan consists of Pakistan Stock Exchange and over 350 brokerage houses. Securities & Exchange Commission of Pakistan regulates securities market in Pakistan.

According to the capital market plan issued by SECP in April 2016 the market capitalization as a percentage of GDP was 24.6 percent in the year 2015. Both individuals and institutions invest in the securities market after complying with the existing regulatory provisions and opening brokerage accounts. Proceeds of crime can easily be invested in the stock market for purpose of money laundering as no compliance to AML is required. Suspicious transactions are not reported to FMU. There is no effective mechanism to check sources of proceeds of an institutional investor. Directors through company's account may route the illicit proceeds to brokerage trading account in order to engage in trading activity and launder illicit proceed through routing of funds from banks and securities market. Brokers are not trained to verify the sources of the proceeds of investment. Effective mechanism and regulations need to be in place in order to filter the suspect investors.

The Directorate General of Intelligence & Investigation (IR) was given powers of anti-money laundering investigation and prosecution of offences under Anti Money Laundering (AML) Act, 2010 where proceedings of crime have been accrued from commission of offences. The Directorate General of Intelligence & Investigation (IR) was given powers of anti-money laundering investigation and prosecution of offences under Anti Money Laundering (AML) Act, 2010 where proceedings of crime have been accrued from commission of offences, the report added.

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IMF members delete anti-protectionism pledge, keep currency commitments

Washington: Member countries of the International Monetary Fund on Saturday pledged to work to reduce global imbalances but failed to repeat their past pledge to resist all forms of protectionism.

The International Monetary and Financial Committee (IMFC), the IMF's steering body, also repeated its past commitments on currency exchange rates.

"We will refrain from competitive devaluations, and will not target our exchange rates for competitive purposes," the IMFC said in a statement.

"We will also work together to reduce excessive global imbalances by pursuing appropriate policies. We are working to strengthen the contribution of trade to our economies," it said.

The communique largely adopted the trade language from a G20 statement issued last month in Baden Baden, Germany, where U.S. Treasury Secretary Steven Mnuchin had said the anti-protectionism pledge was no longer relevant.

Mexican central bank chief Agustin Carstens, who heads the IMF steering committee, said protectionism is a "relative term" and "ambiguous."

"There is no country that does not have any provision on trade," Carstens told a news conference. "Instead of dwelling on what that concept means, we managed to put it in a more positive, more constructive framework."

Carstens, who is among the global financial officials attending the IMF and World Bank spring meetings this week, said the goal was to take advantage of trade and that all members were "aligned" on the need for free and fair trade.

The IMFC statement also said that while the global economic recovery was gaining momentum, growth was "still modest" and it warned of heightened political and policy uncertainties.—Reuters

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THE RUPEE: 10 paisas recovery

RECORDER REPORT

KARACHI: Modest recovery was witnessed on the money market on Saturday as the rupee moved higher against the dollar in the process of trading, dealers said.

OPEN MARKET RATES: The rupee gained 10 paisas in terms of the dollar for buying and selling at Rs 105.90 and Rs 106.10, they said.

The rupee, however, shed 20 paisas in relation to the euro for buying and selling at Rs 113.00 and Rs 114.50, they said.

At the weekend, the euro weakened against the US dollar as investors braced for Sunday's first round of a tight French presidential election.

The euro was down 0.14 percent against the dollar at $1.0699, off the session low of $1.0683. The common currency was 0.33 percent lower against the yen and down 0.27 percent against the Swiss franc.

Opinion polls suggest that France's election will likely come down to a second-round duel between independent centrist Emmanuel Macron and Marine Le Pen, head of the anti-European Union and anti-immigrant National Front.

Polls showing Macron in pole position ahead of the vote and an upbeat Purchasing Managers' Index survey from France helped steady investors' nerves somewhat and the euro was still on pace for its best week in 11 against the dollar.

Still, the options markets suggest investors are concerned about the chances of strong results for far-right candidate Le Pen and far-left rival Jean-Luc Melenchon.

The dollar, which has been pressured lately by weaker-than-expected economic data and worries about the Trump administration's ability to pass tax and fiscal stimulus legislation, rose on Friday as traders squared up positions ahead of the weekend.

Open Bid	Rs. 105.90
Open Offer	Rs. 106.10

RUPEE IN LAHORE: The Pakistani rupee moved both ways against the major currencies including the greenback and British pound in the local currency market on Saturday.

The currency dealers said the greenback resumed trading on a mixed pattern as it moved both ways during the day's trading session amidst divergent trend.

At the close, it was traded at Rs 106.05 and Rs 106.20 on buying and selling sides, respectively, as compared to the overnight closing rates of Rs 106.00 and Rs 106.25 respectively, the dealers said.

Likewise, the local currency also followed the same suit versus the pound sterling. The British currency was bought and sold at Rs 134.70 and Rs 135.60 against Rs 134.50 and Rs 135.70 on Friday, respectively, they said.

RUPEE IN ISLAMABAD AND RAWALPINDI: The value of rupee was unchanged against the dollar at the open currency markets of Islamabad and Rawalpindi here on Saturay.

The dollar opened at Rs 106.25 (buying) and Rs 106.35 (selling) against. Pound Sterling opened at Rs 130 (buying) and Rs 131.50 (selling). It closed at the same rate.

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Prices down on cotton market

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KARACHI: Cotton prices came down on the local market on Saturday in the process of modest trading activity, dealers said.

The official spot rate was down by Rs 50 to Rs 6700, they said.

In ready session, over 600 bales of cotton changed hands between Rs 6425 and Rs 6800, they said.

Some brokers said that cost of doing business is becoming a difficult job in .

Pakistan as investors or businessmen not getting better return or profit these days. Particularly, country's textile industry is suffering since world recession started, other traders said.

Cotton analyst, Naseem Usman said that the issue of textile industry's stuck refunds is one of the major factors behind the lacklustre business.

Delay in arrival of next cotton crop and limited stock held by spinners caused hectic business activity but slow off-take of yarn and declining textile are such factors hurting sentiments, other analysts said.

In New York, the NY cotton futures were higher on Friday, dealers said.

The following deals reported: some 230 bales of cotton from Samundri sold at Rs 6425 and 400 bales from Yazman Mandi at Rs 6800, they said

THE FOLLOWING ARE THE KCA OFFICIAL SPOT RATES FOR 2016-17 FOR LOCAL DEALINGS IN PAK RUPEES FOR BASE GRADE 3 STAPLE LENGTH 1-1/16" MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL

Rate For	Ex-Gin Price	Upcountry Expenses	Spot Rate Ex-Karachi	Spot Rate Ex-Karachi As on 20.04.2017	Difference Ex-Karachi in Rupees
37.324 Kgs Equivalent	6,700	135	**6,835**	**6,885**	-50
40 Kgs	7,180	145	**7,325**	**7,379**	-54

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Call for independent financial reporting body

Mohammad Iqbal Ghori

The Audit Oversight Board (AOB) established under the SECP Act, 1997 to regulate audit profession in the country and the Accounting Standards Board (ASB) recently formed under the control of Institute of Chartered Accountants of Pakistan (ICAP) as a self-regulated model would not serve the purpose of justice and independence. It may rather create doubts about the standard setting process and adoption of best practices in financial reporting in absence of all the stakeholders in the composition of these bodies and undue influence of the SECP and ICAP. It is high time the government should seriously think of establishing an autonomous 'Financial Reporting Council', independent from the accounting profession with a view to maintaining the quality and standard of financial reporting in Pakistan and protecting the interests of all stakeholders, including business, trade, industry, professionals and the public at large. The creation of this autonomous audit super-regulator has become crucial due mainly to regulator's inadequacy in terms of capacity, capability, lack of independence and its lackadaisical attitude towards discouraging the existing monopolistic practices of one professional body.

Ideally, the proposed Financial Reporting Council (FRC) should be under the leadership of Ministry of Finance and shall have powers and authority to frame accounting and auditing standards; monitor compliance with established standards; review auditors' practice and enforce sanctions and penalties on violations. As far as its composition is concerned, the global practice may be followed by inducting representatives from the government such as Ministry of Finance, Ministry of Commerce, Auditor General of Pakistan and State Bank of Pakistan and from the professional accounting bodies, i.e., ICMA Pakistan, ICAP and PIPFA; representatives from other organizations such as Pakistan Stock Exchange, Federation of Pakistan Chambers of Commerce and Industry (FPCCI) and Pakistan Banks Association. The chairman of the FRC should be nominated by the government and he should not be a member of any of the professional accounting bodies, otherwise the neutrality of FRC would be compromised.

Several advanced and emerging economies such as the US, the UK, Canada, Hong Kong, Australia, Mauritius, Sri Lanka and Japan, etc, have already established such financial reporting authorities that have resulted in strengthening their financial sectors and attracting global investments. The creation of an independent financial watchdog in Pakistan would also stimulate private sector's growth and foreign investments. It would allow investors to evaluate corporate prospects in Pakistan and make informed decisions resulting in lower cost of capital and better allocation of resources. It would also facilitate integration into global financial and capital markets and strengthen country's financial architecture and reduce the risk of financial market crisis and its negative economic impact. Above all, with the opening up of Pakistani market in the backdrop of the China Pakistan Economic Corridor (CPEC), the proposed FRC would definitely help build market confidence in the value and quality of audit and promote sound audit practice and regulations.

Failure of self-regulation model in audit profession

Auditing has always been a self-regulated profession; however, emergence of corporate failures and scandals in recent past has raised some profound questions about the validity and suitability of self-regulation in auditing not only in advance economies, but also in emerging economies in South Asia, including Pakistan, where the auditors have to perform their duties in a very complex risk management environment.

The self-regulation model is now being challenged as it has not resulted in any significant improvement in the audit quality due to absence of any penal provisions against non-compliance of financial reporting lapses and submission of incorrect or false audit report to regulators. At the professional bodies' level, there are inherent weaknesses as far as disciplining and enforcement is concerned. It is in this backdrop that to improve overall audit quality and restore public confidence, many countries have either established or intending to create some kind of 'super regulatory or oversight bodies' to frame accounting and auditing standards and regulate the performance of auditors in the larger public interest.

Many examples can be cited around the globe, where outside regulation of auditing profession have been introduced and working effectively, prominent among them are the Financial Reporting Council (FRC) of the UK, Public Company Accounting Oversight Board (PCAOB) of the US, Financial Reporting Council of Nigeria, Financial Reporting Council of Mauritius, Financial Reporting Council of Australia, Financial Services Agency of Japan, Abu Dhabi Accountability Authority (ADAA), Botswana Accounting Oversight Authority and Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB).

In the context of South Asia, we observe that Sri Lanka is pioneer in taking the timely and prudent initiative of establishing an independent financial reporting body way back in 1995. The monitory board is responsible for monitoring compliance of accounting and auditing standards in relation to financial statements as specified in the Act and is also empowered to impose fine. In case of non-compliance, the courts in Sri Lanka may impose penalties extending up to five years' imprisonment. The chairman of the monitoring board is a nominee of the governor, Central Bank of Sri Lanka while board's composition is diversified, i.e., ex-officio members, including Registrar General of Companies, Commissioner General, Department of Inland Revenue and DG Securities and Exchange Commission of Sri Lanka; whereas the nominees are from the Institute of Chartered Accountants of Sri Lanka (ICASL); CIMA UK (Sri Lanka Division); Bar Association of Sri Lanka; Ceylon Chamber of Commerce and Sri Lanka Banks Association.

In Bangladesh, Financial Reporting Act, 2015 was passed by the national parliament on 6th September 2016. As per latest information, the finance minister of Bangladesh has already approved the formation of a high-powered financial reporting council which is likely to start functioning soon after vetting by the ministry of law of Bangladesh. The Financial Reporting Council shall act as a sole watchdog to oversee work of auditors and monitor financial matters of various government, autonomous and non-government institutions. The council will consist of 12 members representing ministry of finance; ministry of commerce; Institute of Chartered Accountants; Institute of Cost and Management Accountants; National Board of Revenue; chambers of commerce and Bangladesh Bank.

In India, the government is all set to establish a new regulatory body by the name and title of 'National Financial Regulatory Authority (NFRA)' which would oversee the quality of service of professionals and monitoring and enforcing compliance with accounting standards. The proposed NFRA would have same powers as vested with a civil court under the Code of Civil Procedure. It shall have power to investigate matters of professional misconduct by CAs or firms and such investigation could not be challenged. The formation of an independent Financial Reporting Council was realized in 2012 when the Standing Committee on Finance of Parliament proposed the need for a quasi-regulatory body for supervising the quality of audit in India. Accordingly, the Indian Companies Act, 2013 incorporated this proposal under Section 132 to form a new regulatory authority with wide powers to recommend, enforce and monitor compliance of accounting standards. The Ministry of Corporate Affairs of India has also issued rules that will give NFRA an overarching role to regulate chartered accountants and set standards.

This new provision in the Indian Corporate Act was strongly opposed by the concerned professional body which is presently charged with developing of accounting and auditing standards but the Indian government is quite adamant on its stance of forming this independent regulatory body in the larger public interest. Evidently, this move was also supported by the members of the chartered accountants community such

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as Yogesh Sharma, Partner, Grant Thornton India LLP (one of big four firms) who is of the view that introduction of NFRA is in line with the international practice of having an independent regulator, which monitors the auditors.

In one of his presentations made on 20th September 2013, after the promulgation of Indian Companies Act, 2013, he said that “the constitution of the NFRA and powers being conferred to NFRA will bring in a significant change to the current structure of standard setting regulations”. There is, however, some final negotiations going on between the government and ICAI with regard to jurisdiction of NFRA and its representation. With the formation of NFRA, significant regulatory powers of ICAI will be shifted to new super regulator and ICAI’s role would be limited to holding exams for CAs and recommending accounting standards to the new authority.

Abysmal quality of audit practice in Pakistan The abysmal quality of audit practice and weak oversight by the financial regulator merit immediate action by the government to bring radical changes in the existing legal financial audit and reporting framework of the country. The pathetic performance of both the auditors and regulator has put the interests of all the stakeholders at stake. The existing monitoring system lacks stringent mechanism to check malpractice by audit firms to compromise on audit quality. Due to a lack of transparency and compromising attitude of regulators, the investors, audit firms and accounting bodies are being denied a level playing field. Recently, the default by statutory auditors of brokerage houses is an ample proof of deteriorating quality of audit. It has been observed that few auditing firms were acting as statutory auditors for large number of stockbrokers. This necessitates critical assessment of role of auditors and stringent legal action by the regulator against such auditing firms.

Another glaring example of pathetic audit practice in Pakistan is that many statutory auditors or auditing firms, in order to avoiding comprehensive audit, normally adopt the option of ‘test checking’ in which only few transactions are selected at random from a large number of transactions, for doing audit. In the auditing profession, this test checking is considered a substitute for detailed checking of company records and if these are found to be correct, the auditor ‘presumes’ that all other transactions would also be correct. This sort of assumption is altogether contrary to norms of justice and transparency as the choice for adoption of testing methods is fully dependent at the discretion of the auditor. This creates complacency on the part of auditor and provides avenue or excuse for them to ignore investigation aspect in those transactions, which seem to be required attention for a detailed checking.

Accordingly, the audit judgment and report given by the auditor is based on an overall opinion acquired and in many cases, it is qualified. In the absence of any internal check and control mechanism, the lapses or negligence on the part of statutory auditors could result in serious consequences for corporate sector. In this backdrop, it is absolutely important that the regulator should scrutinize ‘test checks’ in audit programmes to improve the quality of statutory audit in Pakistan.

There is a need for promoting the audit quality to enhance public confidence in audit process and financial reporting. Quite unfortunately, the audit of financial statements by statutory auditors has become an annual ritual and over the years, the term ‘audit report’ has lost its credibility as it merely represents an ‘Accounting Compliance Report’. The auditors focus mostly on compliance of international standards on accounting, reporting and audit, which has limited application in Pakistan. There is no reporting by auditors on the mismanagement, frauds or leakages of funds.

While the proposed Financial Reporting Council comes into legal effect and starts functioning in Pakistan, the existing financial regulator must take the initiative to make reporting on fraud and mismanagement an integral part of audit report by making necessary amendments in the Companies’ Law. The auditors should have powers and mechanism to report significant matters, including fraud and mismanagement to the SECP directly. The mechanism for appointment of statutory auditors should also be made transparent and more independent of the majority shareholders.

Further, in order to safeguard the interests of all investors

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and stakeholders, the regulator must also make it legal binding on companies to have credible cost-based and operational audits for better performance. It is to be realized that financial audit alone would not suffice as it just reports compliance with the so-called regulatory requirements. By credible audit, it means that financial audit should be reliable and credible and may lead to good governance; better performance and improved service delivery of public and private sector entities to general public and the national economy. (The writer is President, ICMA Pakistan)

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Karachi Yarn Market Rate

RECORDER REPORT

Karachi Yarn Market Rates on Saturday (April 22, 2017).

CONES CARDED

10/1.

Popular Fibre 920.00

Diwan 950.00

Tritex 930.00

12/1

Nadeem Textile 1120.00

Indus 1160.00

Popular Fibre 1100.00

Bajwa 1150.00

16/1.

Nadeem Textile 1180.00

United 1190.00

Popular Fibre 1150.00

Abdullah Textile 1150.00

Indus 1220.00

A. A. Cotton 1200.00

Tritex 1170.00

Bajwa 1210.00

21/1.

Ishtiaq Tex 1240.00

Al-Karam (A.K) 1250.00

Suriya Tex 1250.00

United 1250.00

GulAhmed (G.Lite) 1260.00

Popular Fibre 1220.00

Shadman 1240.00

Indus Dyeing 1290.00

Abdullah Textile 1220.00

Lucky Cotton 1230.00

A. A. Cotton 1300.00

Diwan 1240.00

22/1.

Bajwa 1270.00

United 1260.00

24/1.

A. A. Cotton 1370.00

Tritex 1320.00

26/1.

AL-Karam 1370.00

Dewan 1320.00

Amin Text 1350.00

Shadman Cotton 1350.00

Diamond Int'l 1320.00

Popular Spinning 1300.00

Ishtiaq Textile 1320.00

Lucky Cotton 1320.00

A. A. Cotton Hosiery 1450.00

28/1

Abdullah Textile 1350.00

30/1.

Amin Tex. 1450.00

Al-Karam 1430.00

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Jubilee Spinning
1350.00

GulAhmed (G.Lite)
1430.00

Lucky Cotton
1350.00

Diamond Intl
1400.00

A. A. Cotton Hosiery
1480.00

32/1

Abdullah Textile
1380.00

40/1

Lucky Cotton
1650.00

52/1

Lucky Cotton
1700.00

--

COMBED CONE

--

40/1

Indus CF
1740.00

20/2.

GulAhmed
1340.00

Amin
1350.00

Indus Dyeing
1360.00

Bajwa
1350.00

Shadman Cotton
1340.00

42/1

Abdullah Textile
1650.00

52/1

Abdullah Textile
1750.00

20/1. SLUB

Abdullah Textile
1300.00

30/1 SLUB

Abdullah Textile
1520.00

60/1.

Abdullah Textile
1750.00

70/1

Abdullah Textile
1850.00

--

CHEES CONES

--

10/1.

Kasim Tex
700.00

Latif Tex. (Latif)
700.00

Super
690.00

Abdullah Textile (OE)
690.00

16/1. (O.E.)

Kasim Textile
880.00

Masal
870.00

--

RATES OF PAKISTANI/IMPORTED POLYESTER

YARN (PER LBS) + GST

--

Imported 50/36 FDY
90.00

Local Mill
130.00

Rupali 75/78 FDY
NA

Import 75/72 FDY
72.00

Local Mill
82.00

Rupali 75/36/0 & 75/24 DTY
90.00

Imported 75/36/0 DTY
85.00

Local Mill
83.00

Rupali 75/128 INT DTY
100.00

Local Mill
115.00

Imported 75/72 INT DTY
83.00

Local Mill
105.00

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Imported 75/144 INT DTY 83.00

Local Mill 110.00

Rupali 300/96/INT DTY 80.00

Imported 300/96/INT DTY 70.00

Local Mill 66.00

Rupali 300/96/0 DTY 74.00

Imported 300/96 DTY 69.00

Local Mill 63.00

Rupali 75/24 INT DTY 100.00

Imported75/36 INT DTY 96.00

Local Mill 85.00

Rupali 150/48/0 DTY 76.00

Imported 150/48/0 DTY 72.00

Local Mill 70.00

Rupali 150/48 INT DTY 81.00

Imported 150/48 INT DTY 74.00

Local Mill 73.00

Imported 150/144 SIM 77.00

Local Mill

NIL

RATE OF BLANDED YARN IN RUPEES (PER LBS)

P.V. CONES

18/1 PV

A.A. Textiles 108.00

20/1 PVB

A.A. Textile 111.00

A. A. Cotton 110.00

24/1 P.V. BRIGHT

A.A. Tex. 116.00

Sana 109.00

A. A. Cotton (80:20) 115.00

26/1.PV Bright

A.A. Tex. 121.00

Sana 111.00

30/1 PV

A.A. Tex."Z" Twist 127.00

Sana 120.00

A. A. Cotton 126.00

26/1 P.V. (S.D.)

A.A. Textile 121.00

A. A. COTTON 128.00

36/1 PV (SD)

A.A. Textile 142.00

40/1. (PVB)

Sana 138.00

A. A. Cotton 145.00

A. A. Textile 146.00

46/1 PVSD

Ibrahim Fibre 170.00

28/1 PV SLUB

A.A. Clock Tower 150.00

30/1 PV SLUB

A. A. Cotton (PVB) 150.00

A. A. Cotton (PC) 155.00

A. A. Cotton SLUB (PP) 150.00

Sana SLUB (PP) 145.00

Sana (PV) 150.00

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Sana SLUB (V) 165.00

40/1 SLUB

Sana (V) 180.00

SEWING THREAD YARN

Sana

21/1 PP 84.00

30/1 PP 96.00

40/1 PP 105.00

50/1 PP 122.00

20/1 PVT

Sana 118.00

30/1 PVT

Sana 128.00

10/1 PP

A. A. Cotton 93.00

12/1 PP

A. A. Cotton 98.00

16/1 PP

A. A. Cotton 103.00

20/1 PP

Sana 110.00

Diwan 98.00

A. A. Cotton 110.00

Agar 96.00

26/1 PP

A. A. Cotton 115.00

30/1 PP

Agar 101.00

Anwar 109.00

Sana 120.00

Diwan 103.00

A. A. Cotton 120.00

34/1. (PP)

A. A. Cotton 99.00

40/1 PP

A. A. Cotton 133.00

60/1. (P.P)

Agar 124.00

Diwan 125.00

Anwar 130.00

A. A. Cotton 146.00

8/.1.

A. A. Cotton (52 48) 95.00

10/.1.

Zainab 115.00

A. A. Cotton 97.00

Lucky Cotton 135.00

12/1

A. A. Cotton 100.00

14/1

Zainab Tex 118.00

A. A. Cotton 105.00

16/1

AA SML Carded (52 48) 114.00

IFL (52 48) 120.00

A. A. Cotton 105.00

P.C. COMBED

20/1. PC

A.A.SMLCARDED 123.00

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Zainab (Combed) 123.00

A. A. Cotton (Carded) 112.00

A. A. Cotton CVC (65 : 35) 110.00

24/1. PC

A. A. SML Carded 123.00

Zainab (Combed) 128.00

A. A. Cotton 109.00

25/1

A.A. Cotton 117.00

30/1. PC (52 : 48)

Zainab Textile (combed) 138.00

Stallion 100.00

K. Nazir 112.00

Al-Karam 112.00

AA SML (Carded) 131.00

A. A. Cotton (Carded) 122.00

A. A. Cotton CVC (65 : 35) 114.00

36/1. PC

IFL Tex (Combed) 149.00

A. A. Cotton 140.00

40/1 PC

A.A. Textile (Combed) 157.00

45/1 PC

Zainab 170.00

10/1 CVC

A. A. Cotton (60:40) 100.00

12/1 CVC

A. A. Cotton (60:40) 107.00

16/1 CVC

A. A. Cotton (60:40) 112.00

20/1 CVC

A. A. Cotton (60:40) 118.00

AASML 114.00

24/1 CVC

A. A. Cotton (60:40) 123.00

Sana 146.00

AASML 111.00

30/1 CVC

A. A. Cotton 128.00

AASML 122.00

40/1 CVC

A. A. Cotton 140.00

40/.1. VISCOSE

Sana 160.00

Sana Acrylic 160.00

READY RATES OF STAPLE FIBER IN RUPEES

POLYESTER K.G.

I.C.I. 1.D 126.00

I.C.I. 1.2 (SD) 126.00

I.C.I. Bright 128.00

Rupali 1.D 126.00

Rupali 1.2 (SD) 126.00

Ibrahim Fiber (SD) 126.00

Ibrahim 1.D 126.00

Ibrahim Fiber Bright 128.00

Ibrahim Trilobal Bright 128.00

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VISCOSE K.G.

FCFC 44 MM Taiwan 250.00

FCFC 51 MM Taiwan 250.00

Grysum India 250.00

Thai Reyon 51 MM 250.00

S.P.V. Ind. 51 MM Indonesia 250.00

ACRYLIC FIBER K.G.

Monty 1.2x51 Italy 200.00

Acelon Korea 1.2x51 200.00

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Faisalabad yarn and fibre prices

RECORDER REPORT

FAISALABAD

Cotton yarn rates in rupees per 10 Lbs on Saturday (April 22, 2017).

6-8/S Cone (Cotton)

ARY 490.00

Sher 410.00

Nelibar 700.00

Al-Falah 570.00

Chagi 430.00

Harm 430.00

Shaheen 430.00

Nelum 430.00

10/S Cone (Cotton)

Sufi 650.00

Model Soft 660.00

Adil 500.00

Neilum 530.00

Nelibar 700.00

Owais Karni 500.00

Gold Star 670.00

Qadri 560.00

Shaheen 500.00

Al-Falah 510.00

Zam Zam 490.00

A.T.M 520.00

Sun flower 500.00

Apple Soft 660.00

Apple Hard 640.00

Ton-Ton 630.00

10/S Cone (Soft)

Es Guard 970.00

S.B. 850.00

Nelibar 880.00

Kinoo 940.00

Malta 980.00

Ayesha 850.00

12-14/S Cone (Cotton)

Model 700.00

Qadri 650.00

Adil 680.00

16-18/S Cone (Cotton)

Nova 710.00

Chagi 700.00

Adil 700.00

Model 750.00

Neeli Bar 1070.00

Super Motia 750.00

Prince 700.00

Prince W 1070.00

Acro 980.00

Apple 830.00

Malta 930.00

Golden Eagle 880.00

20/S Cone (Cotton)

Zahidjee 1250.00

Anmool 1200.00

J.K. 1240.00

Khalid Shafiq 1100.00

Acro 1080.00

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Darulsalam 1200.00

Ravi 1080.00

Hadabia 1230.00

22/S Cone (Cotton Warp)

Crescent 1275.00

Yahya 1270.00

HAR 1285.00

Tayyab 1250.00

Polo 1250.00

Ulfat 1260.00

Super Moon 1210.00

24/S Cone (Cotton Warp)

Polo 1320.00

Prince 1300.00

Acro 1280.00

H.A.R. 1280.00

Silver Lines 1320.00

ATM 1310.00

Anmool 1330.00

30/S Cone (Cotton Warp)

Al Noor 1440.00

Crescent 1440.00

Acro 1430.00

Glamour 1380.00

Arain 1410.00

J.K. 1400.00

Gulistan 1500.00

Ujalla 1410.00

Khalid Shafique 1465.00

Shafi 1420.00

Chakwal 1500.00

Anmool 1430.00

Ittehad 1425.00

Hadabiya 1460.00

32/S Cone (Cotton)

Ahmad 1420.00

Malikwal 1420.00

Chand 1420.00

J.K. 1525.00

Target 1450.00

Hadabiya 1425.00

A Three 1425.00

Araian 1420.00

Acro 1430.00

Nafees 1430.00

H.H. 1420.00

40/S Cone (Combed Cotton)

JK 1600.00

JK Carded 1540.00

Acro 1600.00

Nishat 1710.00

Betray 1575.00

Ittihad 1600.00

Al-Nasar 1720.00

Ejaz 1600.00

Nafees 1750.00

Nisar 1725.00

Three-G 1525.00

Suraj 1730.00

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MKB 1510.00

Ramzan 1540.00

Ahmad 1530.00

Super Shaheen 1530.00

Darul Islam 1530.00

Four-G 1540.00

A. Three 1550.00

Azam 1630.00

Wasal Kamal 1550.00

Super Gold 1530.00

Jubilee 1530.00

Babri 1550.00

Sally 1550.00

52/S Cone (Combed Cotton)

Crescent 2075.00

Ittihad 2125.00

Suraj 2175.00

Al-Nasar 2075.00

Tanveer 2180.00

Sultan 1900.00

Diamond 2000.00

Koiyal 2125.00

Malikwal 1875.00

Parado 1925.00

Four Star 2100.00

N.P. 2100.00

Prime Plus 1775.00

Saif 2000.00

Super Shaheen 1840.00

Nafees 1925.00

Habib 1925.00

Colony 1900.00

Umer auto 1600.00

Two-G 1800.00

60/S Cone (Combed Cotton)

Nishat 2325.00

J.K. 2300.00

Ittehad 2400.00

Mapal Leaf 2350.00

Koiyal 2500.00

Gujjar Khan 2400.00

Pagri 2400.00

Deen 2375.00

Alam 2275.00

72-74/S Cone (Cotton)

Prime 2450.00

Commander 2420.00

N.P. 2575.00

Tower 2475.00

80/S Cone (Cotton)

Gold King 2700.00

Super King 2725.00

Mapel Leef 3075.00

Amjad 2900.00

Khan Buhadur 2800.00

Admiral 2900.00

Commander 2850.00

Four Star

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3075.00

Rolex 3050.00

Diamond Gate 3050.00

Al Falah 3100.00

Chairman 3000.00

Battery 3175.00

Chairman 3000.00

30-31/S Cone (Polyester Cotton)

Gold Star 139.74

Sun 130.56

JK 113.00

Bilal 103.00

Tahir Rafique 106.00

Zahidjee 106.00

Bashir 114.00

Shadman 105.00

Sarfraz 105.00

Cherry 105.00

Khalid Nazir 105.00

Wasal Kamal 104.00

North Star 105.00

Super Khuwaja 108.00

Anaar 115.00

Action 96.00

Marjan 109.00

Pak Panther-ll 106.00

Nayab 111.00

Kiran 112.00

NP 115.00

Mehtabi 105.00

Club 111.00

K.K. 109.00

Ruby 110.00

Metro 98.00

38/S Cone (Polyester Cotton)

Gold Star 150.96

Dawood 115.00

Amin-2 115.00

Multan 117.00

Golden 111.00

Kirshma 114.00

AD 113.00

Sarhad 114.00

Aslam 94.00

Corolla 112.00

Royal 107.00

Chairman (N) 111.00

40/S Cone (Polyester Cotton)

A.A. 159.12

Mehtabi 139.00

Shadab 140.00

Marjan 132.00

40/S Cone (AV)

Koiyal 167.00

Super LG 149.00

A.J. 155.00

Ahmad Fine 156.00

Asheana 206.04

40/2 Cone (AV)

Koiyal 174.00

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Super LG 168.00

A.J. 168.00

Ahmad Fine 172.00

30/S Cone (CVC)

Ayesha 125.00

SUN 134.65

Kamal 125.00

26/S Cone (PV)

AA 122.40

Ashiana 121.38

MM 93.00

Blue Star 95.00

Super Jett 96.00

Shuttle 93.00

M-4 97.00

Bemisal 92.00

Ghouri 93.00

U-2 95.00

L.G. 104.00

U-7 87.00

Triple two 91.00

AJ Gold 93.00

Candle 93.00

Jaguar 93.00

34-36/S Cone (PV)

A.A. 143.86

Ashiana 142.84

Sapna 134.00

Blue Star 105.00

Super Jett 104.00

Shahzad-H 106.00

Shuttle 103.00

Bemisal 102.00

Shuttle less 105.00

Cheeta 99.00

Candle 103.00

Target 103.00

Dewan 103.00

Royal 97.00

Spin Cott 104.00

H.R. 102.00

S.S. 112.00

Tanveer 103.00

44-46/S Cone (PV)

A.A. 172.36

Ashiana 171.34

Sapna 151.00

Super Jet 120.00

Bemisal 119.00

Marghala 120.00

U-2 120.00

Cheeta 120.00

Target 119.00

S.S. 135.00

65/S Cone (PV)

Ashiana 223.38

U-2 178.00

Bemisal 179.00

Ghori 178.00

Cheeta 178.00

A.J Gold 178.00

Tanveer 169.00

Maqbool

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180.00

34/S Cone PP

Zamin 88.00

Shadman 102.00

Ellahi 105.00

Dewan 87.00

U-2 90.00

60/S Cone PP

Zamin 111.00

Anwar 105.00

Taj Mahal 107.00

36-38/S Cone (Staple)

Diamond Gate 1590.00

Marghala 1570.00

Saif 1580.00

Four Star 1600.00

A.J. 1590.00

Fazal Cloth 1570.00

L.G. 1570.00

Super Gold 1580.00

Azam 1570.00

Best 1550.00

K.P.K. 1580.00

Colony 1590.00

Martial 1570.00

30/S Cone (Ecrylic)

Koial 156.00

Saif 156.00

Combine 129.00

40/S Cone (Ecrylic)

Koial 170.00

Saif 169.00

Combine 143.00

Pagri 169.00

DAWN
Sunday, 23rd April, 2017

Textile exporters fail to rise to the challenge despite incentives

SHAHID IQBAL

KARACHI: Without producing even a single cotton flower, Bangladesh has left Pakistan far behind on the list of textile-exporting countries.

Pakistan is the fourth largest cotton producer in the world while Bangladesh is one of the biggest textile exporters globally.

Incentive-hungry textile exporters in Pakistan failed to fully utilise even the most favourable trade package offered by the European Union. In contrast, their Bangladeshi counterparts availed a similar package by the EU to the fullest.

In July-December of the current fiscal year, Pakistan exported textile products worth $1.365 billion while Bangladesh fetched $8.041bn during the same period. Pakistan's exports were just 17 per cent of the exports by Bangladesh.

Bangladesh left behind other textile-exporting countries in the region, including India and Vietnam. India exported textile products worth $2.4bn to the EU while Vietnamese exports amounted to $1.78bn in the same period.

Exports by the textile sector of Pakistan, which is able to buy cheap cotton produced within the country, have been in decline, although they still constitute about 58pc of the country's total exports.

Despite the sector's overall poor performance, the State Bank of Pakistan (SBP) recently appreciated its slight improvement, which was a result of higher prices of cotton products in the global market.

Pakistan's exports have been declining for several years. The Ministry of Commerce failed to bring any improvement in the situation. Neither any incentive nor the commerce minister's frequent visits to world capitals could bring any positive change in this regard.

The SBP report said Pakistan mainly exports readymade garments, knitwear and bed-wear to the EU, which has the highest share in the country's textile exports.

Pakistan successfully increased exports to the EU despite a decline in the imports of the European bloc. Only Pakistan, Bangladesh and Vietnam increased exports while India and China registered a decline in exports.

Surprisingly, the SBP said Pakistani exporters are effectively using the duty-free access to the EU that Pakistan enjoys under the current GSP+ scheme.

Data shows that five countries, including China, Bangladesh, India, Vietnam and Pakistan, collectively exported textile products worth $46.5bn to the EU in July-Dec. Pakistan's share in these exports was just 2.8pc.

Textile exports of Bangladesh constitute 82pc of its exports and 20pc of its GDP. Textiles made it the fastest-growing developing country, which achieved GDP growth rate of more than 6.5pc. Bangladesh has set a target of $50bn exports for 2021. Its exports are expected to surpass $40bn in 2020.

Data shows Pakistan's overall exports of textile products registered a decline in July-Feb, which fell $377m to $8.244bn.

Prime Minister Nawaz Sharif in January announced the Rs180bn incentive package to boost exports. Easygoing textile exporters like to export cotton, cotton yarn and gray cloth, which are considered semi raw materials.

Data shows Pakistan exported cotton worth $2.289bn in July-Feb, which is slightly lower than last year.

DAWN
Sunday, 23rd April, 2017

Cotton falls on slow demand

THE NEWSPAPER'S STAFF REPORTER

KARACHI: Slow demand for cotton pushed prices lower on Saturday, though most of world's leading cotton markets closed with fresh gains.

Overall, the trading activity declined with spinners staying away on slow off-take of cotton yarn, and falling exports of textile goods. The undertone remained weak and outlook uncertain.

Cotton trading is slow despite little cotton stocks and fears of delay in the arrival of next crop due to late sowing.

Brokers believed that the expected agitations of the opposition political parties over the Panama Papers case was causing uncertainty and therefore the market participants have adopted a cautious approach.

The Karachi Cotton Association cut its spot rates by Rs50, to Rs6,700 per maund (around 37 kilograms). Major deals on the ready counter were: 230 bales from Samundri at Rs6,425 and 400 bales from Yazman Mandi at Rs6,800.

The New York cotton market closed higher. Prices on the Indian cotton market also rose by Rs200 to Rs500 per candy (365kg). The Chinese market remained firm.

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	**6,700**	**135**	**6,835**
40 Kgs	**7,180**	**145**	**7,325**

THE NEWS
Sunday, 23rd April, 2017

Netherlands wants to boost trade ties with Pakistan

KARACHI: The Netherlands wants to increase its footprints in Pakistan through collaboration and partnership in several sectors.

In a meeting with members of the Federation of Pakistan Chambers of Commerce and Industry (FPCCI), Jeannette Seppen, ambassador of The Netherlands, said that her country wanted to increase footprints in Pakistan, especially its port city Karachi.

A lot has been done and a lot needs to be done, she said, adding that Pakistan held very important position in the Dutch foreign policy and both the countries had strong social and economic bonds over the years.

The Netherlands and Pakistan would extend their collaboration and partnership in many sectors, especially energy, food and agriculture, she added.

Many Dutch companies, including Philips, Unilever, Shell, and Suzuki are successfully operating in Karachi for a long period. Suzuki is going to open another plant with huge investment in Pakistan, she said. The ports and shipping are handling big quantity of Dutch cargo.

She also said her whole emphasis is to work for the enhancement of The Netherlands-Pakistan trade and business relations with extra emphasis in promotion of agro, food, automobile and energy-related projects and businesses.

She said Pakistan has good policies for foreign investors and if these implemented, Pakistan would benefit greatly.

The Pakistani ambassador in The Netherlands is very active and keen to enhance trade ties, she said.

Zubair F Tufail, president of the FPCCI, gave briefing on the FPCCI activities.

He highlighted the economic gains of China-Pakistan Economic Corridor (CPEC) for Pakistan. The energy projects, setting up of new industries and telecommunication projects would become the game changer for Pakistan in terms of new economic opportunities, leading to higher income and employment.

He also said preferential trade agreement (PTA) with The Netherlands can be very effective for both the countries.

Alamgir Firoz, chairman of the Standing Committee on Diplomatic Affairs, said that Pakistan needs to have an interaction with businessman from The Netherlands to enhance bilateral trade and cooperation in common areas of interest. “We need to activate Pakistan-Netherlands Joint Business Council, which can help in better collaboration and partnership, especially in energy, food and agriculture sectors.

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‘Food packaging can attract 1bln euros in investment’

KARACHI: Liquid food packaging could attract one billion euros in investment within the next two to five years if the government eliminates anomalies in the current tariff structure related to raw materials imported for use by the processing industry in the country, said an association on Saturday.

“This tariff is not only discriminatory but also goes against the government’s concessionary fiscal policy for the agriculture sector,” the Pakistan Dairy Association (PDA) said in its budget proposals for 2017/18.

The association said the packaged liquid milk and juices industry could grow ten times within five years if the government exempts polymers, coated paper/paper board and aluminum foil from customs duty or at least ensures the lowest possible duties.

Last year, a Netherlands-based dairy cooperative acquired majority stake in Engro Foods for around $450 million in the country’s single largest foreign direct investment over the past decade.

Pakistan country is the world’s third biggest milk producer. Dairy sector accounts for more than 11 percent of the country’s GDP.

Unfortunately, tons of raw milk goes down the drain because the processors couldn’t afford expensive packaging to improve lifespan of the perishable product.

“In case of reduction of duty or local taxes, cost of production of the food manufacturers will be reduced, which will not only result in safeguarding milk but will also help the government to increase tax revenues,” PDA added.

The dairy association further said withdrawal of zero rate sales tax for the dairy sector has ignited consumer prices of milk and milk-based products in the country, and is puffing up refund claims.

It said the government kept the milk and milk-based products, including raw milk produced in commercial farms under the zero rate sales tax to contain rise in prices at the consumers end for the past one decade.

But, this zero-rating status was removed, while the government slapped 10 percent sales tax on powder milk, cream, yogurt, cheese, butter and whey. The only exceptions are ultra high temperature-treated and fat filled milk, which were exempted from tax under the Sales Tax Act 1990.

“Removing of zero rate tax policy had drastically increased the cost of the milk processing industry, which eventually is resulting into the increasing trend of prices of packaged/hygienic milk and milk based products,” the association said. “Removing of zero rating policy is also hampering the growth and development of documented industry.

Resultantly, the undocumented segment (fresh milk market) of the economy is flourishing.”

Particularly, milk powder and skimmed milk powder carry hefty 25 percent regulatory duty on its import – a measure introduced through Finance Act 2016/17.

Imported milk powder is imperative to cater to the demand of manufacturing infant formulae as well as for production of various other dairy products especially in summers, known as lean period. Again, high sensitivity of locally-produced fresh milk makes the input inadequate to turn out the required output of infant formulae.

“It is recommended to abolish regulatory duty on import of whey and milk powders and also to reduce the customs duty from 20 to 10 percent,” the PDA said. Regulatory duty on skimmed milk powder should be brought down to five percent, which was maintained for several years, to ease prices of various confectionary items and sweets.

It further said zero rating will stop the accumulation of refunds at source, improve the cash flow position of dairy companies and avoid the cumbersome procedure for obtaining zero rating certificates from the tax authorities.

Dairy inputs required for the manufacturing of some goods are enjoying zero tax rating. Capital goods, like farm machinery, are, however, subject to input tax.

Currently, import of agriculture machinery bears non-adjustable sales tax of seven percent. Interestingly, import of mower, cutter and milking equipment are still charged 17 percent of sales tax – the rate which existed before Finance Act 2015.

The dairy association demanded of the government to make seven percent adjustable and the proposed rate should cover all imported agriculture machinery.

The association sought reprieve for middlemen involved in milk collection and distribution chain from income tax withholding. Presently, when a processor procures milk from commission agent, the commission is taxed at the rate of 15 percent. This is not

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the case when milk is directly purchased from growers.

“This is clearly a case of hardship as milk commission agents are small entrepreneurs and tax rate is far higher than the income they earn through the means of collection and selling of milk,” it said. The government should exempt the companies registered with large taxpayers units or listed on the Pakistan Stock Exchange from collection of income tax.

PDA further asked the government to provide electricity to dairy farms and milk chillers at subsidised tariffs much like other agriculture subsectors.

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Ministries operating in isolation worsening economic woes

LAHORE: The ruling elite would have to curb the tendency of ignoring the losses the public and businesses suffer because of their indifference. Public suffers big time when very important person (VIP) movements block roads for hours, while businesses incur red ink because of bureaucratic red tape.

Bureaucratic red tape is applied only on the general public and businesses but it is rampant among different government departments as well.

The lack or even absence of coordination among ministries that deal with economy, finance, and businesses is a good case in point. These include the Ministry of Finance, Ministry of Commerce and Trade, Ministry of Industries, Ministry of Water and Power and the Ministry of Petroleum and Natural Resources.

These government departments have to operate in tandem to ensure full facilitation to the commercial enterprises and businesses. These ministries operate without sync with to the effect that a step taken by one to facilitate economic growth remains ineffective as the others simply fail to complement that initiative.

Industrialists are dismayed that the offices established to facilitate the manufacturing sector are operating in isolation.

They allege that these ministries neither maintain liaisons with each other nor with the industrial sector. Businessmen say that whenever any industrial sector faces problem it has to run from pillar to post to get it resolved.

Ideally, they add, the concerned ministry should, taking a proactive approach, should nip the evil in the bud.

The ministry of industries facilitates the establishment and smooth running of manufacturing sector of the country.

It has to ensure uninterrupted power and energy supplies to industries, but in reality doesn't have any say whatsoever in this regard. Similarly, the ministries of water & power and petroleum & natural resources function independent of each other.

The import of raw materials is officially regulated by the ministry of commerce but the ministry of finance determines the duties that could make the costs prohibitive. Moreover, the commerce ministry could allow import of finished products at low duties that could harm local production.

The businessmen are aware of the implications of the different decisions taken by different ministries. They usually stay in touch with all the ministries but then the traders, having conflict of interest with the domestic manufacturers, also lobby for decisions of their liking in each of these ministries. In fast emerging economies the affairs of local manufacturers are studied and resolved by one ministry. We have tried this under the concept of 'one-stop for all solutions', but it has always turned out to be an additional step in the already tediously cumbersome procedures.

Ideally all the economic ministries should be in constant contact with each other on daily basis.

The ministry of power should keep all the ministries informed about power generation and possible power disruptions so that the private sector entrepreneurs are informed in advance. They could then take measures to cope with the situation.

The ministry of finance should promptly release the amount announced in the annual budget for the facilitation of exports so that ministry of commerce could smoothly distribute the amount to exporters, who qualify.

The exporters should not be forced to go from office to office for the release of what is rightfully theirs. Noncooperation from any ministry must be taken seriously and the person responsible for creating hurdles should be taken to the task, no matter who he may be.

Business disruption has become a daily routine in our culture. We never calculate the deployment cost of placing law enforcement personnel along a 5-7 kilometer route of a VIP moving in any of our cities.

For safety reasons two three routes are manned for security reasons with the option of choosing any of these routes applied at last minute. Most of the VIPs have official helicopters. They can move from airport to their destination on helicopters. The cost of helicopter service would be less or same as that incurred on deployment and the security escorts. It would save the general public a lot of discomfort.

The deployed security force would then be spared to improve law and order in the country.

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The VIP protocol first started with the top political post in the government but has now spread to lower bureaucratic levels. Now even a superintendent of police moves around with a special security escort.

The security blockades outside the police stations and other high offices create a sense of insecurity among common citizens.

They wonder how security forces would shield them from criminals when their personnel are themselves need layers and layers of security.

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Cotton declines

Karachi

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

The spot rates fell to Rs6,700/maund (37.324kg) and Rs7,180/40kg.

Ex-Karachi rates decreased to Rs6,835/maund and Rs7,325/40kg after an addition of Rs135 and Rs145 as upcountry expenses, respectively.

Naseem Usman, chairman of the Karachi Cotton Brokers Association, said that the interest of buyers and sellers remained low in the market, which resulted in a very slow trading.

“Slow trading is the cause of slow activity in the global textile markets,” he added.

He said the new crop would enter the market after three months, while only 250,000 bales were available with the ginners.

New York cotton market recorded mixed trend on all futures.

May futures decreased 1.08 cents to 78.99 cents/pound, while July futures rose 0.22 cents to 79.99 cents/pound.

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Punjab shares 60pc of GDP thru 68,000 industrial units

Our Staff Reporter

LAHORE - Provincial Minister for Finance Dr Ayesha Ghaus Pasha has said that Punjab consists of 55 percent of the total population of the country and accounts for 60 percent of the total GDP through its 68,000 industrial units.

The GDP rate of Punjab alone is 150 billion dollars that is more than the GDP rate of countries like Sri Lanka, Hungry, Ukraine and Morocco, she added. The provincial minister said that an increase of 17.5 billion rupees in investment in the public-private sector being made on an annual basis by USAID since 2017 so far is an achievement of Punjab that reflects greater business opportunities in the province.

She expressed these views while addressing the inaugural ceremony on the arrival of a Chinese delegation led by Lu Xinshe, Secretary of the Provincial Committee of China Pakistan Economic Corridor, at the Punjab-Jiangxi Business Forum. The minister said that Pakistan-China Economic Corridor and Gwadar Port will write a new history of friendship between Pakistan and China and take the economy of both the countries to heights of development. She said that due to the confidence of foreign investors, Pakistan Stock Exchange has gained an important status in the international market. She said the IMF has admitted that a sudden big change in Pakistan's economy has made it attractive for investors.

Talking about investment opportunities in the province, she told the Chinese delegation that the Punjab government is providing greater opportunities of investment to foreign and local investors in energy, infrastructure, agriculture, mines and minerals, pharmaceutical, health, education, livestock and housing schemes. The minister said that a number of reforms have been introduced for facilitating investors, which include establishment of special economic zones, provision of infrastructure and automation of tax system. She said that Punjab is promoting strong cooperation among various countries for the promotion of investment in a positive manner.

Dr Ayesha Ghaus Pasha invited Chinese delegation for participation in the second international seminar on awareness about business opportunities to be held in next month in Punjab. The CPEC secretary and director general of commerce thanked the minister for the cooperation being extended by the Punjab government and assured her of strong business relations between the two countries. Four MoUs were signed between Punjab and the Chinese province Jiangxi during the function and consultation was made on the framework for investment.

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Political stability key to sustaining economic gains

Sharjeel Hussain

Pakistan's economy has witnessed a tremendous turnaround and is currently reckoned as one of the fastest growing economies in the region with countless investment opportunities.

All the international monetary institutions have praised Pakistan's robust growth, helped by investment in CPEC as well as lower global oil prices.

Pakistan was on brink in 2013 when the power changes the hands and according to the IMF it was about to default. The energy crisis was at its peak and economic downfall was certain with the worse ever security situation and wave of terror engulfing the society. But credit goes to the incumbent government Pakistan's economy has achieved sound footings as reflected by various economic indicators.

In 2013, law and order was alarming in the country, but now it has significantly improved due to prudent policies of the incumbent government.

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

The continuation of political stability and a predictable, orderly and constitutional transition of power from one government to the other would add a lot of strength to Pakistan's economic prospects. The risks associated with an uncertain political transition process would be mitigated if different political parties take over the reigns of the government at predetermined regular intervals of time through fair and transparent electoral process. Fortunately, the thrust of economic policies of all leading political parties in the country is much the same but this positive aspect has been lost in the loud noise of political bickering, venomous rivalries and unwarranted accusations against each other. The links between political stability, economic growth and social cohesion are mutually reinforcing and need to be further nurtured and developed in Pakistan.

The strengthening of the economy is being attributed to phenomenal raise in the foreign exchange reserves, reduction in the fiscal deficit, structural reform, soundness of the banking sector leading to fall in the non-performing loans, fiscal consolidation, boost in the revenues and reduction in general government budget.

This reality has also been acknowledged by a number of other rating agencies like Moody's, MCI and global lending institutions including IMF, World Bank and ADB besides internationally renowned papers like The Economist and Wall Street Journal have also from time to time been acknowledging the turnaround in the Pakistan economy, triggered by sound management of the economy by the PML-N government. In its latest assessment of Pakistan's economy, Wall Street Journal said that poverty and terrorism in Pakistan were in decline, foreign investments have increased, as have consumer spending leading to a burgeoning middle class.

The government has vigorously pursued 4Es strategy: focusing on energy, economy, elimination of extremism and education. Structural reforms were introduced which included reducing untargeted subsidies and broadening tax base coupled with building foreign exchange reserves and curtailing inflation rates. Tax collections have increased by 60 per cent over the last three years, which is a complete break with the past.

Due to the prudent fiscal and monetary policies, Pakistan has witnessed good results which are evident in GDP growth rebound, low to moderate inflation, stable rupee and a remarkable increase in foreign exchange reserves.

Pakistan's economy will continue to pick up during the current fiscal year as reform and stabilisation measures provide lift, with higher foreign exchange reserves, and softer inflation and oil prices also supporting the overall macroeconomic outlook. The implementation of structural reforms will consolidate recent gains in macroeconomic stability and improve the investment climate amidst the improving security situation, especially in Karachi.

Pakistan is facing serious problems of internal and external security. Law and order situation has worsened in some parts of the country more than others. A reversion to normalcy in the security conditions of the country would reassure the investor

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community and help the mobility of factors of production. Foreign buyers and technical personnel are reluctant to visit Pakistan at present. Improved security would allow their free movement in and out of the country.

Future economic prospects of Pakistan look promising but their actual realisation would depend upon a number of critical factors such as benign global economy, successful integration of Pakistan into the global economy, sound macroeconomic policies, strong institutional and governance framework, investment in infrastructure and human development and political stability. Under a constellation of these favorable conditions, it should be possible for per-capita income to double to $2,000 by 2020 and to reduce the incidence of poverty by half by 2015.

Pakistan needs to stay the course of macroeconomic and structural reforms, particularly in revenue collection, the energy sector, and in revitalising public sector enterprises that have been causing a fiscal drain. These reforms are critical for fiscal and economic sustainability and to promote investment and economic growth. The key challenges impeding stronger economic growth include inadequate infrastructure and transport connectivity, weak governance and institutions, and limited access to finance which hinders investment in key infrastructure. That in turn raises the cost of doing business, undermines productivity and hinders access to public services.

While the government is committed to its reform programme, implementation challenges that include resistance from various stakeholders could slow progress. In addition, domestic security concerns remain despite improvement, and natural disasters are a perennial downside risk.