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$7.75bn foreign aid received in July-May: EAD

TAHIR AMIN

ISLAMABAD: The country provisionally received $7.747 billion, ie, 96 percent of the budgeted estimates of foreign assistance from multilateral and bilateral donors in July-May 2017, including $2.86 billion loans from foreign commercial banks.

The Economic Affairs Division (EAD) data revealed that government borrowed $1.545 billion from commercial banks in the month of May, 2017. The government had budgeted $2.005 billion from foreign commercial banks for the current financial year 2016-17, however the target was surpassed in May.

The China Development Bank (CDB) released $1 billion for budgetary support in May. Further the government borrowed $415 million from Switzerland-based financial group Credit Suisse and $130 million from Noor Bank PJSC for budgetary support in May.

The government borrowed $115 million in March from Noor Bank PJSC for budgetary support. Further $300 million was borrowed from Industrial and Commercial Bank of China Limited in January. The country borrowed $200 million from Noor Bank PJSC for budgetary support and $700 million from China Development Bank as non-project aid during September.

The government borrowed $22.64 million from Asian Infrastructure Investment Bank (AIIB) in the current financial year which was not budgeted as per the EAD data. The data shows that government borrowed $5 million from the Eco Trade Bank in February which was also not budgeted. In addition, the government issued Sukuk of one billion dollars at a 6.5 percent rate of return during the period under review.

The EAD data shows that country received $7.747 billion July-May 2017 against $6.23 billion during the same period of last year showing an increase of $1.514 billion.

The government budgeted foreign assistance of $7.998 billion for 2016-17 including grants and loans against $9.18 billion budgeted for 2015-16.

The country received $1.852 billion in May including $1.846 billion loans and $5.92 million grants. The latest figures show that the country provisionally received $7.354 billion loans and $393.39 million grants during the first eleven months of 2016-17.

Pakistan received $1.327 billion from China in the current fiscal year including $153.91 million in May against the budgeted $572.3 million for July-May 2017. The country received $976.43 million from China during the same period of last year.

Asian Development Bank (ADB) disbursed $940.11 million in the current financial year including $25.79 million in May against the budgeted estimates of $1048.2 million for the current fiscal year i.e. 89 percent.

International Development Association (IDA) disbursed $543.34 million including $63.62 million in May i.e. 37 percent of the budgeted estimates of $1.448 billion, IDB (S-Term) disbursed $350 million, ie, 77 percent of the budgeted estimates of $452 million and USA disbursed $77.43 million including $4.6 million in May i.e. 69 percent of the budgeted estimates of $111.41 million.

International Bank for Reconstruction and Development (IBRD) disbursed $216.32 million including $27.64 million in May against the budgeted estimates of $62.48 million for the current fiscal year, UNHCR disbursed $0.88 million, IDB $88.63 million, Japan disbursed $48.37 million against the budgeted $77.13 million for the current fiscal year and UK released $158.59 million. EU disbursed $17.84 million in the current financial year against the budgeted estimates of $51.12 million.

Multi Donor Trust Fund (MDTF) disbursed $34.50 million in July-May 2017 against the budgeted estimates of $38.59 million. The country received no assistance from France, Korea, Norway, Oman, Saudi Arabia and UNDP.

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May defends Brexit rights offer in face of EU doubts

BRUSSELS: British Prime Minister Theresa May defended her offer to let millions of EU citizens stay in Britain after Brexit as fellow EU leaders responded coolly on Friday to her opening move in negotiations on Britain's withdrawal.

A year to the day after Britons voted narrowly for Brexit, May admitted differences at the Brussels summit over guarantees to the 3 million EU expatriates in Britain, but said they would be addressed in negotiations begun this week.

German Chancellor Angela Merkel said it was a "good start" but "not a breakthrough, to say the least". Summit chair Donald Tusk, a former Polish premier, found it "below expectations" and said it could leave people, including 800,000 Poles, worse off.

"It's obvious that this is about reducing the citizens' rights," Tusk told reporters of his "first impression" of May's offer. "Our role in negotiations is to reduce this risk."

May, facing the first European test of her authority after an election backfire cost her a parliamentary majority, pushed back, calling her proposal a "fair and serious offer".

"Those citizens from EU countries that have come to the United Kingdom and who've made their lives and homes in the United Kingdom will be able to stay, and we will guarantee their rights in the United Kingdom," she said.

"There are some differences between that and the proposals of the European Commission, but the matter will now go into the negotiations."

Sitting alongside new French President Emmanuel Macron at joint news conference, Merkel said: "It became clear during the discussion last night that we have a long path ahead of us.

"And the 27, especially Germany and France, will be well prepared, we will not allow ourselves to be divided."

Many leaders want to see details that May promised for Monday, including the nitty-gritty of how complex, multinational families would fare and what judicial oversight there would be.

Belgian Prime Minister Charles Michel was among the most sceptical, wary of getting a nasty "cat-in-the-bag" surprise.

For Poland, Deputy Foreign Minister Konrad Szymanski said: "We appreciate the effort but the offer does not meet all the criteria the EU agreed on as red lines." In particular, the EU 27 want their citizens to be able to enforce their rights in Britain through the European Court of Justice, something May has flatly ruled out. They also dispute her attempt to limit those rights potentially to people already living in Britain before she triggered Brexit three months ago.

EU chief executive Jean-Claude Juncker said he could not imagine people not having recourse to the European Court of Justice. The Union wants the ECJ to be the arbiter of the Brexit treaty. That would mean Luxembourg judges retaining a role in the lives of EU expriates in Britain — as now, via British courts. At the end of a Brussels summit dinner on Thursday, May had outlined five principles. These were notably that no EU citizen resident in Britain at a cut-off date would be deported and that those who had lived in Britain for five years could stay for life — a right foreigners already have in the rest of the EU.

Those more recently arrived would be allowed to stay until they reach the five-year threshold for "settled status". Red tape for permanent residency would be cut and there would be a two-year grace period to avoid "cliff edge" mishaps.

Weakened by an election she did not need to call, May has watered down her

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government's programme to try to get it through parliament and set a softer tone in her approach to Brexit, which she had opposed prior to last year's referendum.

Yet her aims have held - she wants a clean break from the bloc, leaving the lucrative single market and customs union and so reducing immigration and ending EU courts' jurisdiction.

However, her political weakness have generated concern that the divorce may not be orderly. Manfred Weber, German leader of conservatives in the European Parliament which must approve any Brexit deal, said the lack of detail in May's rights proposals was "quite worrying for the rest of the negotiations".

Describing "an island in chaos" compared to a continent growing in confidence in its economy and leaders like Macron, Weber said: "It still seems that the UK government has no idea what they want to achieve."—Reuters

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Nepra enumerates reasons behind bad power sector performance

MUSHTAQ GHUMMAN

ISLAMABAD: National Electric Power Regulatory Authority (Nepra) in its State of Industry report 2016, a part of which appeared in Business Recorder a few months ago, claims that in spite of persistent directives and monitoring by the regulator, performance of public sector generation, transmission and distribution companies remained unsatisfactory as their efficiency levels either did not show any improvement or went down further relative to previously reported results.

It also states that capacity issues, lack of financial support due to centralized control, procedural delays and setting of wrong priorities are the major factors which have resulted in continued below par performance. Unless these issues are addressed, the performance of power sector would continue to remain at unacceptable levels.

According to the report, only Tribal Areas Electric Supply Company (Tesco) and Islamabad Electric Supply Company (Iesco) were able to achieve Nepra's set loss levels, whereas all other Discos and K-Electric failed to meet Nepra's set targets. In terms of overall average losses of 15.23%, allowed to Discos, actual average losses have been reported by DISCOs as 17.95%, showing a gap of 2.72%.

The report says, Pesco's actual losses were 33.76, against allowed losses of 26 per cent, Tesco, 20 per cent against target of 20 per cent, Iesco, 9.09 per cent against 9.39 per cent, Gepco 10.58 per cent against allowed losses of 9.98 per cent, Lesco 13.94 per cent against allowed losses of 11.75 per cent, Fesco 10.24 per cent against allowed losses of 9.50 per cent, Mepco's actual losses were 16.45 per cent against allowed losses of 15 per cent, Hesco 26.46 per cent against allowed losses of 20.50 per cent, Sepco 37.92 per cent against allowed losses of 27.50 per cent, Qesco 23.92 per cent against 17.50 per cent. KE's average losses were 25.66 per cent against allowed losses of 15.23 per cent. This implies that Discos had incurred losses of 16, 765 GWh in 2015-16 whereas KE lost 4,440 GWh.

The report further said that since 2011-12 all the Discos have shown very little improvement, if any. For instance IESCO, GEPCO, FESCO which are considered among the good DISCOs have shown very little improvement from that of 2011-12. Pesco, Qesco, Sepco and Hesco are among those whose losses are known to be very high showed negligible improvement over the five year period. The matter of real concern is the performance of Lesco and Mepco in this area. Mepco in 2011-12 reported losses of 19.32% which were reduced to 15.5% in 2014-15, whereas in 2015-16 its reported losses rose to 16.45%. Similarly Lesco's losses have also risen.

Discussing recovery trend Nepra's report states that Iescos's recovery declined in 2015-16 when compared with previous years. Gepco, Fesco, Mepco and Lesco have shown improvement in their recovery efforts. Qesco has also shown an appreciable increase in recovery ratio from 32.56% in 2014-15 to 71.63% in 2015- 16. On the other hand Sepco, and Hesco have shown a negative performance.

The record of K-EL is a mixed one. In 2011-12, K-Electric had a recovery ratio of more than 90%, which declined to 88.65% in 2012-13, registered 87.06% in 2013-14, improved to 90.37% in 2014-15, however in 2015-16 it declined to 87.64% from reported number of 13.51% in 2011-12 to 13.94% in 2015-16.

Nepra which closely monitors the power sector in accordance with its mandate, said in the report that under-utilization of power plants has been noted, resulting in low annual utilization factors;

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power plants were either underutilized or deliberately not operated, while load shedding was being carried out. The availability factors are continuously on the decline for the last three years due to various maintenance issues. Maintenance of power plants has not been followed according to the approved schedule of NPCC. Despite NPCC approvals, GENCO-II did not avail shutdowns. Such imprudent practices have essentially led to de-rationing in capacity of units. Inadequate expertise has been noted to handle technical problems of switchyard equipment. Failures of the switchyard equipment at GENCO-II have been among the major reasons for large blackouts in the system. The data pertaining to heat rate indicates that, over the last three years, most of the time, actual heat rate has remained higher as compared to the Nepra's approved heat rate, reflecting inefficient operation of power plants. Over the last three years, GENCO units have consumed more auxiliary power, as compared to what is allowed. It is estimated that extra power consumed by TPS Guddu over the last three years resulted in loss of 121.089 GWh, leading to a financial loss to the national exchequer.

DISCOs continued their rudderless functioning without due regard to the desire for improving T&D losses and recovery ratios, removing overloading of key components and lack of prioritization of development work, which is critical in the wake of upcoming generation projects and elimination of load shedding. Due to the constraints in PESCOs network, the report noted that around 580 MW of otherwise available power cannot be delivered to the end-consumers. Similarly in SEPCO area around 215 MW of available power cannot be supplied to consumers. In Qesco 710 MW of available power cannot be supplied. Similar constraints have also been noted in other Dsicos which need to be addressed on priority to support policies of the federal government.

The total installed generation capacity of Pakistan as on 30th June, 2016 stands at 25374 MW, against 24961 MW on 30th June, 2015, recording an increase of 413 MW or 1.65% over the last year. The power plants connected with NTDC and K-EL's system generated 112033 GWh during 2015-16 as compared to 108916 GWh units produced during 2014-15. During 2015-16, the major additions to the system were projects of Rahim Yar Khan Mills (Bagasse based), Chiniot Power (Bagasse based), Sapphire Power (Wind based), Appolo Solar (PV Cell based), Best Green Solar (PV Cell based) and Crest Solar.

Meanwhile, Ministry of Water and Power has cast doubts on the statistics provided in Nepra's State of Industry report 2016.

A spokesman for Water and Power Ministry told Business Recorder that since the report was not issued on time and as the power sector achieved many milestones in the meanwhile, therefore the report's data needs a critical appraisal. He further said the Ministry is making all-out efforts to bring in sustainable reforms in the power sector and is open to positive suggestions.

The spokesperson further said the Ministry is examining the report in detail and will issue its point of view shortly.

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Bank holiday

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KARACHI: The State Bank of Pakistan will remain closed for public dealings on July 3, 2017 (Monday) which will be observed as Bank Holiday. All banks/DFIs/MFBs will, therefore, remain closed for public dealings on the aforesaid date. However, all employees of the banks/DFIs/MFBs will attend the office as usual.

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THE RUPEE
Steady trend

RECORDER REPORT

KARACHI: The rupee sustained overnight levels versus the dollar on the money market on Friday in the process of trading, dealers said.

INTER-BANK MARKET RATES: The rupee shed 10 paisas versus the dollar for buying and selling at Rs 104.87 and Rs 104.88 respectively, they said.

In the final Asian trade, the dollar was little changed as traders marked time ahead of next week's US inflation-linked indicators, while commodity currencies such as the Canadian dollar held to gains after crude oil prices bounced.

The dollar index against a basket of major currencies was effectively flat at 97.492. The index peaked at a one-month high of 97.871 on Tuesday after the Federal Reserve hiked interest rates last week and left the door open for further monetary tightening later in the year. But it has been stuck in a tight range since, awaiting fresh catalysts.

The euro was also steady, at $1.1158. It was poised to lose about 0.4 percent this week.

Open Bid	Rs. 105.90
Open Offer	Rs. 106.10

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

Bid Rate	Rs. 104.87
Offer Rate	Rs. 104.88

RUPEE IN LAHORE: The Pak rupee moved both ways versus the US dollar in the local currency market on Saturday.

The dollar commenced trading on mixed pattern following divergent trend in the market during the day's trading session. At the close, it ended at Rs 106.00 and Rs 106.35 on buying and selling side as compared to Friday's closing rates of Rs 106.10 and Rs 10630, respectively, said the local currency dealers.

Furthermore, the local currency remained under pressure for the second consecutive day against the pound sterling. The pound's buying and selling rates further rose from overnight closing trend of Rs 133.20 and Rs 134.30 to Rs 133.40 and Rs 134.60 respectively, they added.

The dollar was trading against the Indian rupee at Rs 64.523, the greenback was at 4.287 in terms of the Malaysian ringgit and the US currency was at 6.840 versus the Chinese yuan.

OPEN MARKET RATES: The rupee maintained last levels in relation to the dollar for buying and selling at Rs 105.90 and Rs 106.10 respectively, they said.

The rupee extended overnight slide in terms of the euro, losing 25 paisas for buying and selling at Rs 117.75 and Rs 118.75 respectively.

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

The dollar opened at Rs 105.95 (buying) and Rs 106.10 (selling). It closed at the same rate. Buying and selling rates of British Pound remained Rs 136.50 (buying) and Rs 138.50 (selling).

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FCCI proposes SEZ adjacent to existing industrial area

RECORDER REPORT

FAISALABAD: Duly notified, Planned and systematic development of industrial zones with futuristic vision is pre requisite to ensure sustainability of industrial growth, said Engineer Ahmed Hassan Vice President Faisalabad chamber of Commerce and Industry (FCCI).

He was talking to Ms Samita Khawar Director Public Sector and Government practice, Frost and Sullivian who visited FCCI to discuss the legal and institutional framework for the new industrial zones.

He said that Faisalabad being hub of the industrial sector has made phenomenal growth during last 100 years.

The colonial rulers had allocated industrial areas outside Karkhana Bazaar but the influx of population immediate after independence paved way for the developed many industrial clusters all around Faisalabad including Sarghodha Road, Jhang Road, Samundri Road, Sheikhupura Road and Abdhullah Pur etc.

“This was actually a mushroom growth but in later phase these areas were acknowledge as industrial clusters by the government and local administration”, he said and added that it was about 30 years ago that first planned small Industrial Estate was developed on Sarghodha Road near Nalka Kohala. “The Samundhri Road area was dominated by the printing and processing units which contributed a lot for the development of Pakistan and Faisalabad”, he said and added that after its saturation this area was also dominated by residences and commercial plazas. This transformation created civic problems as the industry department failed to give legal frame work to it.

The civil administration also mounted pressure on the industrialists to shift their units from this area while expansion of industrial units was also prohibited under section 144. He said that the untapped growth has yet huge potential and most of the industrial units established their exports units about 10 to 12 kilometres away from the city at Khurrianwala where cheap land, electricity and gas were available in addition to open drains to discharge industrial effluent.

Other outskirts also experienced the same phenomena and Millat Industrial Estate was developed when the industrialists of Sargodha road were forced to shift their units from the thickly populated areas.

The Punjab government established FEDMIC about 15 years ago that developed a value addition city on Khurrianwala Chak Jhumra Road while a mega project of M3 Industrial Estate was also launched during the process of industrial development.

He said that the role of industrial department was pathetic and arrogant throughout this process and it failed to provide any relief to the industrial sector as no legal and institutional framework was provided to the well established industrial clusters.

In most of the industrial areas, the industrialists have to develop basic infrastructure from their own resources as industries department flatly refused to provide them any facility unless and until the government formally notifies these areas as Industrial Estate.

It is very surprising that the industrialists developed huge infrastructure. Government departments also provided various utilities but these areas have not yet been notified as industrial areas.

According to conservative estimate the Faisalabad has potential for the establishment of new industrial units. The only planned Industrial Estate is M3 which is sprawling over 4500 areas of land along

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motorway M3.

Engineer Ahmed Hasan told that the Faisalabad Chamber of Commerce and Industry (FCCI) has conducted a study and proposed a special Economic Zone over 50,000 areas of land adjoining the existing industrial areas.

"We strongly recommend that the industry department should give a clear cut policy for the immediate reorganization of existing industrial clusters into recognized industrial areas so that the industry department could initiate development project with provision of necessary infrastructure in these neglected areas.

Similarly, a ban should also be clamped on developing housing and commercial units in the declared and notified Industrial areas to avoid repetition of the process of relocation of industries from these areas.

He told that Faisalabad has two main drains one in Eastern Side and another on Western Side. The Western Side drain namely Paharang has a water treatment pond near Chakera while another is badly needed for Eastern Side on Madhowana Drain.

Ms Samita Khawar termed this meeting very productive, adding that she will again visit Faisalabad with a comprehensive questionnaire to discuss and finalize recommendations about the legal and institutional framework for the industrial zones.

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Industry to face 10-hour load-shedding during Eid holidays: Lesco CEO

HAMID WALEED

LAHORE: Lahore Electric Supply Company (LESCO) Chief Executive Officer Syed Wajid Ali Kazmi said on Friday that 10-hour daily loadshedding for industry would continue during Eid holidays.

"There will be no change in the schedule of loadshedding throughout the Eid holidays," he added. Traditionally, the LESCO resumes power supply on the second day of Eid.

"But no such plan is under consideration this time round and the industry will have to follow the Ramazan schedule as usual," the LESCO chief cleared. He said the Ministry of Water and Power has decided to continue with 10-hour a day loadshedding for industry to ensure relief to the people in case of a sudden rise in mercury.

Meanwhile, the industry circles confusingly enquired about the possibility of power supply resumption on the second day of Eid as there was no official circular from the PEPCO regarding continuity of Ramazan schedule during the Eid holidays.

"We are not clear whether to retain the workforce or not," said an industrialist.

The PEPCO had suspended power supply to the industry for 10 hours, starting from Iftar till Sehr in order to facilitate domestic consumers during the holy month of Ramazan.

As a result, the industry, especially the one with continuous operations, had restricted mills' operations to two shifts while retrenching the workforce of third shift. Hopes were high that the government would exempt the industry from load shedding soon after the Ramazan but to no avail.

The LESCO chief said the industry will have to face this situation for another few days to facilitate the people in their celebrations after the holy month of Ramazan. He said loadshedding schedule will be changed after Eid holidays.

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FPCCI voices concern over APTMA & PTEA strike calls

RECORDER REPORT

KARACHI: The Federation of Pakistan Chambers of Commerce and Industry (FPCCI) expressed its great anxiety and concern over the strike called by All Pakistan Textile Mills Associations (APTMA), Pakistan Textile Exporters Association, Pakistan Hosiery Manufacturers Association, Pakistan Bed sheet Association and 25 other textile related associations which will cause a great damage to the textile industry.

Acting President FPCCI Aamer Ata Bajwa said that the textile industry is contributing around 8 percent in GDP, more than 60 percent in exports and provides employment to 40 percent of industrial labour force of Pakistan, however despite that government is not considering its demands.

He said that the textile industry is already confronted with many challenges including load-shedding of gas and electricity and its exports are on a continuous decline.

Textile sector needs government support so that it could play a vibrant role in the economy. Any adverse action will not only damage the textile industry but may lead to closer of further units causing a great number of unemployment.

Bajwa emphasized on Finance and Commerce Ministries to give ear to the demands of APTMA and other related associations to overcome the present crisis in the best interest of country.

He also urged the government to release the sales tax refunds and implement the Prime Minister package which was announced in January 2017. He also demanded withdrawal of Rs.3.63 levy per kWh surcharge in electricity bill and reduction in textile related imports from China and India to salvage the textile industry from its total collapse.

Moreover, last year government announced a textile policy (2014-19) which also needs early implementation. He requested to Prime Minister of Pakistan to intervene in the issue and provide level playing field as the cost of production particularly the prices of utilities are very high in Pakistan as compared to Regional countries like Vietnam, India, Bangladesh, Sri Lanka etc. which makes Pakistani goods uncompetitive in international market.

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 22.06.2017	Difference Ex-Karachi in Rupees
37.324 Kgs Equivalent	6,600	135	**6,735**	**6,735**	NIL
40 Kgs	7,073	145	**7,218**	**7,218**	NIL

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Cotton spot rates keep present level

RECORDER REPORT

KARACHI: Official spot rate maintained overnight levels on the cotton market on Friday in the process of listless business activity, dealers said.

The official spot rate was unchanged at Rs 6600, they said. In the ready session, not a single deal finalised till our going to the press, they said.

In Sindh, seed cotton prices were available at Rs 3200-3250 per 40 kg and in the Punjab rates were at Rs 3100-3200 per 40 kg, they said.

Some experts said that both mills and spinners adopted cautious attitudes amid moderate arrivals of seed cotton. They said that volume of trading activity was likely to improve after Eid holiday.

In the meantime, seed cotton arrivals stopped some days ago due to rains, so it is also expected that mills and spinners may take interest in fresh deals to fill their stock, they observed.

Reuters adds: ICE cotton futures fell for a 10th straight session to the lowest level since early September on Thursday as investors continued to liquidate positions on bearish technical amid expectations of rising new crop production.

The December cotton contract on ICE Futures settled down 1.43 cents, or 2.10 percent, at 66.74 cents per lb. Prices plunged to their worst level since Sept. 1, at 66.72 cents per lb.

Total futures market volume rose by 12,384 to 38,768 lots. Data showed total open interest fell 1,808 to 204,966 contracts in the previous session.

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Cotton slides to near 10-month lows

NEW YORK: ICE cotton futures fell for a 10th straight session to the lowest level since early September on Thursday as investors continued to liquidate positions on bearish technicals amid expectations of rising new crop production.

The December cotton contract on ICE Futures settled down 1.43 cents, or 2.10 percent, at 66.74 cents per lb. Prices plunged to their worst level since Sept. 1, at 66.72 cents per lb.

“After the market traded through the 200-day moving average (last week), a closely watched indicator by big speculators and hedge funds, they began the liquidation process,” said Keith Brown, principal at cotton broker Keith Brown and Co in Moultrie, Georgia.

The contract remained in oversold territory with a relative strength index (RSI) of about 17, well below the oversold level of 30.

“The market is not going up any higher, so they are abandoning the ship,” Brown said.

The December contract fell amid concerns of a robust production from the top-growing regions due to favorable weather conditions.

“In India and Pakistan, production is set to increase by around 1.5 million bales year-on-year in both countries due to heavy rainfall and a larger acreage,” Commerzbank said in a note.

“However, it is the US that is set to account for the highest proportion of the global production increase in the 2017/18 season, with growth of 2 million bales (up 12 percent).”

Sales of upland cotton for the 2016/2017 crop year totaled 167,500 running bales of cotton in the week ended June 15, up noticeably from the previous week, the weekly export sales data from the US Department of Agriculture showed.

“Cotton prices are still providing an attractive hedging opportunity to farmers as we see upside risks to USDA estimates for global cotton production given an extremely good crop rating in the US, a strong start to Indian cotton planting and the slowing pace of US cotton exports,” Societe Generale said in a note. “Weather remains a key for cotton bears as favorable weather across the world can push prices to 60 cents per lb.”

Total futures market volume rose by 12,384 to 38,768 lots. Data showed total open interest fell 1,808 to 204,966 contracts in the previous session.

The dollar index was up 0.02 percent. The Thomson Reuters CoreCommodity CRB Index, which tracks 19 commodities, was down 0.55 percent.—Reuters

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New York cotton

RECORDER REPORT
The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
May'17	71.24	72.10	71.03	72.10	14:20 Jun 23	-	0.96	4579	71.14
Jul'17	67.54	69.06	67.52	68.00	14:20 Jun 23	-	-0.03	193	68.03
Oct'17	66.74	67.23	66.33	66.97	14:20 Jun 23	-	0.23	29513	66.74

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Power sector: poor governance

Farhat Ali

The government of PML-N inherited poor power sector governance bequeathed to it by PPP government. Unbearable power cuts, rental plant scams, unaccountable line losses and rampant power theft, woeful performance of power generation and distribution companies in public sector, use of uneconomical fuel mix both by private and public sectors, unregulated conduct of Independent Power Producers (IPPs) and all of these ills ultimately transforming into 'circular debt'.

The PML-N government had announced in 2013 that power crises 'will become history', economical fuel mix would be introduced to make power affordable to public and industry, loss-making power utilities in the public sector would be privatized and the challenge of circular debt would be overcome once and for all.

The situation, as of June 2017, is that the power available to consumers through grid is nearly the same as it was in May 2013, resulting in load-shedding of 8 to 12 hours a day, although the installed capacity is said to have been increased by 5000MW. The so-called economical fuel mix chosen by the government, however, did not go well as many of the coal-based power plants were aborted once it was discovered that the core issue is the transportation of coal and the infrastructure required for it. The whole of 6000MW Gadani Power Park, based on coal, was aborted whereas the LNG-based power plants were scaled down. Moreover, the privatization of loss-making public sector entities was terminated by the government during the fourth year of its five-year tenure.

Not only has the present government failed to improve power situation, it has placed Nepra under Ministry of Water and Power, depriving the regulator of its independence.

Circular debt has spilled over into the entire fuel supply chain for the first time in the history of Pakistan. Reports suggest that ports, refineries, railway bogies, tanker lorries and even storage tanks have all been choked.

It's a vicious circle: petroleum ministry and finance ministry 'point out' gross mismanagement in power ministry while power ministry blames finance ministry and power sector regulator.

The issue has been forwarded to Nepra as well. It is reported that power ministry has asked for Rs 36 billion on an emergency basis to clear this issue. Furthermore, the finance ministry isn't willing to release any funds in order to contain country's fiscal deficit.

People are already paying a surcharge on electricity bills for Neelum-Jhelum Project – a project that is strongly characterised by cost overruns.

The Nepra Act 1997 deals with the surcharges. It, for example, says: "The government may, in addition to the tariff determined by the Authority, impose a surcharge on such consumer categories as may be notified in the official gazette. Apart from it, surcharge can be imposed after getting determined under National Electricity Plan for other purposes that include for raising funds for future development plan in power sector, environmental protection, energy efficiency, demand management, managing climate and promoting the security of energy supply. Surcharges will also be imposed to give effect to any tariff rationalisation or subsidy management guidelines as may be issued by the federal government from time to time."

The act is largely misused to cover up system inefficiencies and management incompetence, the essence or legitimacy of the surcharge is premised on the objective of bringing around structural changes in the system for the benefit of consumers in terms of quality, quantity and affordability of electricity. In reality, none of these is happening in this particular case. More of it is to come.

It is feared that the Nandipur power project and Sahiwal coal-fired project will never become economically viable in the absence of an independent regulatory environment; and the regulators may not have allowed higher system losses in electricity and gas distribution to be passed on to consumers. Likewise, major energy projects would continue to face similar challenges.

Consumers would continue to suffer from the consequences of all these acts of omission and commission and chronic flaws in the shape of escalating power tariffs which are reported to have increased manifold in the last five years, making it the most expensive electricity in the region with little or no improvement in availability and quality.(The writer is former President - Overseas Investors Chamber of Commerce and Industry)

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Transmission sector: K-Electric made no major investment: Nepra

ISLAMABAD: National Electric Power Regulatory Authority (Nepra) in its state of industry report 2016 has claimed that K-Electric has not made any major investment in the transmission sector from year 2010-11 to 2014-15.

The regulator, which recently sent a fact finding team to Karachi to analyze the reasons of current massive outages, noted that K-Electric, over the last five years, added a total of 3 km of overhead and underground lines at 220 kV, 132 kV and 66 kV voltage levels. K-Electric, reportedly, has added or refurbished only 4 grid stations at 132 kV voltage level, whereas no transformation capacity has been enhanced at 220 kV level in last 5 years. This clearly shows that K-Electric has not made enough investments in the transmission system to cater for its growing number of consumers, resulting in various system constraints. Consequently significant investment is required in K-Electric's transmission infrastructure to meet growing energy demand and to remove the existing transmission constraints.

The Authority observed that according to the transmission business plan submitted by K-Electric, it is expected to invest Rs. 179 billion in expanding and improving the performance of the transmission infrastructure. This investment will be made in four phases, which began in December, 2015 and will run through June, 2027. The implementation of this investment plan will enhance the grid's capacity, increase its reliability and enable power evacuation of new generation capacity. A summary of the K-Electric proposed transmission plan was given in the report as follows:

Transmission Package-1: i) Targets enhancements of 1000 MVA and will increase reliability, stability and grid capacity. ii) Addition of eight new grid stations and new transmission line over 116 km. iii) The project will be completed by 2018 and will play a vital role in enhancing the operational flexibility of K-Electric's transmission network, hence relieving the majority of the overloaded EHT circuits. It will aid the saturated 220 kV Baldia and Maripur grids and improve power quality at the overloaded portions of the KDA/Gulshan, KDA/Johar, and KDA/Maymar grids. iv) The funding of this project has already been secured through institutions such as Overseas Private Investment Corporation (OPIC), China Export and Credit Insurance Corporation (SINOSURE), Euler Hermes-Germany and Citibank-Pakistan on the basis of continuation of the I-MYT.

Transmission Package-2: i) Further enhancements of 1500 MVA for expansion of grid and transmission capacity from FY 2016- 17 onwards. ii) Siemens has already been engaged to perform a grid study with the objective of identifying key areas in the network to target. iii) Expected to be completed in two phases and includes addition of new grid stations, extension of 11 kV power feeders with power transformers and new interconnecting grid. 3.9.3.3 Transmission Packages-3 and 4: i) Expected to commence from FY 2023-24 and completed by FY 2026-27. ii) To be invested across two packages and will deliver increased network capacity and further enhancements to enable K-Electric to meet increased capacity and generation needs.

Imposition of fine on K-Electric: In June, 2015, widespread failures of the electricity for prolonged hours were witnessed which also resulted in protests of unruly crowds and damage to life and property. NEPRA, taking notice of K-Electric failures to abide by the terms and conditions of the granted licenses, constituted a committee in the matter. The said committee submitted a report and in light of its findings, a Show-Cause Notice was issued to K-Electric. The main grounds relating to distribution functions of K-Electric

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Show-Cause Notice were as follows: (i) The Licensee's failure to fulfill its service obligation in breach of Section 21 of the NEPRA Act read with Rule 8(1)(b) of the NEPRA Licensing (Distribution) Rules 1999, including, but not limited to the Licensee's failure to ensure uninterrupted power supplies to the consumers within its service territory.

(ii) The Licensee's failure to provide distribution services within its Licensed territory on a nondiscriminatory basis and its apparent discrimination between consumer and group of consumers in violation of Section 21(2)(b) of the NEPRA Act, Rule 10(b)(ii) of the NEPRA Licensing (Distribution) Rules, 1999 and the terms and conditions of its Licence including but not limited to excessive load shedding carried out by the Licensee in certain areas during the month of June, 2015 in soaring temperatures subjecting the consumers to bear load shedding cycles without longer respite periods in between.

(iii) Violation of Section 21(2)(f) of the NEPRA Act and Article 11 of the Distribution Licence, which requires the Licensee to follow the Performance Standards laid down by the Authority for distribution and transmission of electric power, including safety, health and environmental protection instructions issued by the Authority or any Government agency.

(iv) The Licensee failed to restore the supply of power to the affected consumers in case of unscheduled or unplanned interruption in supply of power within the time limit specified in the Performance Standards (Distribution) Rules, 2005 which amounts to violation of rule 3(3) (a) thereof and Article 11 of its Distribution Licence, particularly in case of replacement of PMT's there was electricity interruption from 12 hours to 96 hours.

(v) Consistent breach of its terms and conditions of licensee in ensuring safe, reliable and efficient supply of electricity in accordance with the requirements and provisions of Grid Code and Performance Standards (Distribution) Rules, 2005 including but not limited to inadequacy of its transmission and distribution system as these could not support the supply of additional power from generation plants.

(vi) Violation of the System Maintenance and Testing (SMT) of Distribution Code and the terms and conditions of its licence in failing to maintain its grid station in a functioning condition to be operatable at its rated capacity at all times and ensure that the same can be connected to distribution system in a safe and reliable manner. K-Electric, in response, submitted its objections over the grounds of Show-Cause Notice, which were analyzed by NEPRA. K-Electric was provided with the opportunity as required under the law to provide clarifications to NEPRA notice. The Authority however, was not satisfied with the explanation provided by K-Electric. Consequently the Authority, under Section 28 and 29 of the NEPRA Act, imposed a fine amounting to Rs. 10 million on K-Electric.

The fine was imposed on the private utility on two counts (i) Rs. 5 million for its failure to provide uninterrupted electric power services to consumers (ii) Rs. 5 million for deliberately underutilizing its generation capacity.

Aggrieved with NEPRA's decision, K-Electric filed an appeal against the imposition of fine, however, the Authority rejected K-Electric appeal, to maintain its earlier decision for imposition of fine of Rs. 10 million.

Apart from the imposition of fine, the Authority stated the key concerns in dealing with K-Electric. It was observed that K-Electric made investment in the generation sector, whereas, in transmission and distribution sectors, K-Electric did not make any noticeable investment, with the result that K-Electric transmission and distribution system proved inadequate to cope with the increased power supply and to meet demand of the system, which led to the incidents of June, 2015.—MUSHTAQ GHUMMAN

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FBR unveils procedure for implementing DTO concept

SOHAIL SARFRAZ

ISLAMABAD: The Federal Board of Revenue (FBR) has issued a detailed procedure to implement the new concept of Inland Revenue Operational Arm, ie, District Taxation Officer-Inland Revenue for broadening the tax base across Pakistan.

According to the FBR, Finance Bill 2017 envisages the introduction of a new Inland Revenue Operational Arm i.e. District Taxation Officer-Inland Revenue. Comments/suggestions are invited on enclosed concept paper of District Taxation Officer-IR.

Sources said that the FBR is planning to establish the office of district taxation officer across the country, with the target to broaden the tax base and extend the penetration of tax collecting body into the society. "There is a need to expand the territory of FBR as there is a significant gap between us and the non-compliant tax payers and those not paying taxes too," they added.

The FBR said that Finance Bill 2017 envisages and introduces a new Inland Revenue Operational Arm, ie, District Taxation Officer. This initiative is not merely revival of old/defunct Income Tax Circle system at Mufassals/districts, rather it entails an altogether new, innovative and composite field formation, which, within in its territorial jurisdiction would be responsible for all IR field operations. Facilitating the taxpayers at their doorstep, this IR field formation would also be representing the Federal Tax Regime at the level of each district.

Office of District Taxation Officer-IR, within its territorial jurisdiction would be responsible for all inland tax operations, relating to all inland taxes i.e. Income Tax, Sales Tax and FED. Unless specifically assigned by FBR or Chief Commissioner concerned and subject to section 209 of Income Tax Ordinance, District Taxation Officers shall manage & oversee the tax operations in the cases of all taxpayers whose jurisdiction falls in their respective Districts. In all inter-District jurisdictional matters, involving multiple RTOs, FBR shall decide the issues, the FBR said.

District Taxation Officer-IR shall be responsible for Inland Revenue Tax collection & administration in the respective District. In cases where more than one field units are necessitated & established in a district (at tehsil level), the said units would also report to the concerned district taxation officer. District taxation officers shall report to the designated zonal commissioners, as notified by the concerned chief commissioner. Organogram of district taxation officer is given hereunder. Senior most DCIRs shall be posted as District Taxation Officers, FBR said.

Office of district taxation officer shall be vested with proper financial powers of a drawing & disbursing officer and shall be responsible for utilization of funds allocated by the government of Pakistan.

As far as physical infrastructure is concerned, the FBR said all district taxation offices shall be provided with proper physical infrastructure and logistics, as required for field tax operations.

In cases where currently the offices are located in rented buildings, the DCIRs posted as district taxation officers shall be responsible to initiate the process of acquisition of suitable piece of land futuristically sufficient for office cum residence of district taxation officer. Where ever lands have already been acquired, cases for construction of official buildings may be taken up with Administration Wing FBR without any loss of time.

RTOs shall arrange, from their existing pool, roadworthy operational vehicles for all the District Taxation Offices, the FBR said.

Concerned Supervisory officers are obligated to

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conduct periodical visits of District Taxation Offices and the following visit schedule is mandatory in this regard. Additional Commissioner and Commissioners concerned shall alternately visit each District Taxation Office each month. Chief Commissioner shall visit once in each Quarter of the Financial Year.

All district taxation offices shall maintain a proper inspection/visit book with details to be filled by the visiting officers.

Visit of Chief Commissioner shall be used to hold an open "Taxpayers Katchery" where the visiting officer would listen to the local Bar and taxpayers. Schedule of this Quarterly visit shall be notified & publicized in advance so as to make this event meaningful and fruitful.

For public Image of the Service and Taxpayers education & facilitation,

Each District Taxation Officer shall ensure that FBR/IR's policies, decisions and initiatives are properly publicized in local print media and duly explained to local Bar and Trader's bodies.

For tax directories & Sector profiling, the FBR said that each District Taxation Officer shall prepare, maintain and update District Tax Directories and Sector Profiling keeping in view the peculiar features of businesses and taxation in each District. This permanent record shall be made the basis for annual input during Budget exercise.

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Govt responds to Dr Pasha's article

ISLAMABAD: A spokesman for Finance Division said here Thursday that Dr. Hafiz Pasha, in his article titled "IMF Article IV Consultation: History could repeat itself" has made "totally incorrect" assertions with reference to IMF's latest assessment of Pakistan's economy under Article IV review.

The writer, spokesman contended, has highlighted external financing requirement of $ 17 billion and projected current account deficit of $ 11 billion for the year 2017-18. Consequently, the foreign exchange reserves could fall to $ 9 billion by end 2017-18.

The spokesman disagreed with Dr Pasha's contention, saying it is neither based on facts nor does it appropriately report the correct analysis of the economy recently released by the IMF. In fact, the writer has chosen to ignore the positive side of Fund's assessment and has focused only on interpreting the potential challenges to the economy highlighted by the Fund.

"The International Monetary Fund and the Government of Pakistan recently concluded Article IV consultations. The Fund has endorsed the positive and favourable outlook for economic growth, with real GDP estimated to grow at 5.3 percent in 2016/17. The Fund has projected that Pakistan's economy backed by acceleration in investments under CPEC, improved availability of energy and growth supporting structural reforms will strengthen GDP growth to 6 percent in the coming years. Achievement of 6 percent growth in coming years will indeed be remarkable since this level of growth will be achieved in 13 years. Inflationary pressures are contained and under control. However, the Fund has also pointed to certain risks to the stability in future. In particular, widening of budget deficit and current account deficit together with decline in foreign exchange reserves has been highlighted.

"The government of Pakistan understands that these are mid-course corrections which are taking place in the macroeconomic framework while overall there is no reversal from the path of stabilization. The Government is aware of the challenges going forward and is firmly committed to maintaining macroeconomic stability while achieving pro-poor inclusive higher economic growth of 7 percent in medium term. Inflation has been brought down from 12 percent between 2008/13 to 2.86 percent last year and this year is expected to be contained between 4.0-4.5 percent. Fiscal deficit was reduced from 8.2 percent to 4.6 percent last year and expected fiscal deficit this year is even lower than the last year. Reduction in fiscal deficit has been achieved by stringent expenditure controls and achieving historic increase of about 80 percent in tax revenue collection over the last years. Consequently, tax to GDP ratio increased to 13.2 percent this year from 9.8 percent in 2013.

"During the year 2016-17 there has been significant widening in the current account deficit. This widening in the deficit is due to over 40 percent increase in import of energy ,construction ,textiles and agriculture related machinery to fulfil the growing needs for infrastructure and energy related projects. This is indeed a healthy trend as it will enhance the productive capacity of the economy and generate growth.

"However, the current account deficit is largely being financed through FDI inflows and CPEC related investments. Similarly, the writer's apprehension that CPEC related payments will create a burden for the external account is not correct. Out of the total capital outlay of $55 billion, about $35 billion will be for energy related projects which will come in the form of FDI and other investments over the next seven years. The balance $20 billion will come as long term concessional bilateral assistance and its repayment is spread over the next twenty years. As such it does not pose a major burden on Balance of Payments.

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"The writer's assessment of financial meltdown in 2017-18 and decline in foreign exchange reserves to $9 billion is misleading and is not based on facts. In terms of Balance of Payments projections concluded under Article IV consultations, SBP reserves at end period 2017-18 are projected to be $18.88 billion as against the writers' estimation of $9 billion. Similarly, the writer estimates that current account deficit for 2017-18 will be $11 billion whereas our projections place this deficit at $10 billion and amortization during the year will remain below $4 billion as against author's estimation of $6 billion. It may be noted that the current account deficit is fully manageable based on surplus of $11 billion in both financial and capital accounts for the year 2017-18."

DAWN
Saturday, 24th June, 2017

Traders offer divergent views on Eid sales

Aamir Shafaat Khan

PESHAWAR: Women buying artificial jewelley from a stall at Eid shopping festival on Friday.—PPI

KARACHI: Traders in various parts of the country offered on Friday mixed views about the sales of Eid-related items.

Some traders said sales are slightly better than last year's while others claimed a fall in revenues due to many reasons.

They said various retail outlets are offering bigger discounts this year, which shows they have to lure customers by offering price cuts.

Upcountry traders gave contradictory feedback on Eid sales. Anjuman Tajiran Pakistan General Secretary Razak Babbar said overall sales in major cities, like Multan, Rawalpindi, Lahore, Faisalabad and Islamabad, have surged seven to eight per cent due to improved law and order.

He said an increase in the salaries of government employees and those of some private organisations has also contributed towards improved sales. "I think that people's purchasing power has marginally risen," he added.

In contrast, the chairman of Anjuman Tajiran Southern Punjab, Khawaja Suleman Siddiqui, said sales of Eid items have declined 10-20pc year-on-year in cities like Multan, Dera Ghazi Khan, Sadiqabad and Bahalwalpur due to shrinking buying power and rising utility bills and other expenses.

He said a majority of people is affected by the rising cost of living. Those who would make two to three dresses for Eid are now content with making just one, he added.

The central president of Anjuman Tajiran Rawalpindi claimed that sales of Eid items have fallen 50pc this year, which is "the worst in my 54 years of experience" in trade.

"The country's political and economic situation and rising prices of essential and even Eid items are the main reasons for a sharp fall in sales," he said.

The general secretary of Anjuman Tajiran City Faisalabad, Chaudhry Mehmood Alam, said sales are down by just 10pc compared to last year. However, two markets – Anarkali and Jhangbaz – are attracting a good number of shoppers, he noted.

He said Faisalabad, known as Manchester of Pakistan, is a city of the labour class as only a handful of ultra-rich people live there.

Due to a crisis in the power loom sector and falling exports of textiles, many Eid items are beyond the reach of the labour class, he said.

The situation in Karachi is quite different, however. All Karachi Tajir Ittehad Chairman Atiq Mir said three markets – Tariq Road, Hyderi and Zainab Makret and its adjacent areas like Rex Centre and Madina Shopping Mall – are doing a roaring business, although sales in other markets of the city vary to a large extent.

He said the buyers' rush is visible in only Jama Cloth where ladies' items are sold. In addition, only three markets around the Teen Talwar area in Clifton are witnessing a high number of shoppers, he said.

Only 20 of the 40 markets in Saddar are registering a good number of buyers, he said, adding that sales in the Motan Das market are also depressed.

Mr Mir said poverty has risen in the country, adding that investors are reluctant to invest due to uncertain political conditions. Besides, the withholding tax on bank transactions has forced traders to deal in cash, causing further problems.

He claimed that about five million people in Karachi are living below the poverty line. They are unable to enjoy Eid shopping due to a cash crunch, he said.

DAWN
Saturday, 24th June, 2017

Cotton price flat

The Newspaper's Staff Correspondent

MULTAN: Cotton prices were flat on Monday and most millers were on the sidelines ahead of Eid holidays. However, brokers expect cotton trading to pick up after the festival.

The trading activity was also affected due to short supply of new phutti (seed cotton).

Brokers said cotton picking in Punjab has almost stopped due to rain in the cotton-sowing areas.

They said that farmers were also reluctant to bring their product in the market due to uncertain cotton prices.

They feared that if cotton prices did not improve after Eid, cotton growers might lose their interest in the crop.

On Friday, the price of phutti was Rs3,250 in Jhudu, Rs3,230 in Kunri, Rs3,275 in Badin, Rs3,225 in Umer Kot and Rs3,200 in Thatta. Major deals on the ready counter were: 200 bales from Mirpur Khas at Rs6,650, 200 bales from Tando Adam at Rs6,550, 200 bales from Kotri at Rs6,500, 200 bales from Shahdadpur at Rs6,575 and 200 bales from Hyderabad at Rs6,500.

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	6,650	135	6,785
40 Kgs	7,127	145	7,272

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MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	104.75	104.95	105.90	106.10
UK	133.02	133.27	134.50	135.50
Euro	116.89	117.11	117.75	118.75
S.Arabia	27.93	27.98	28.00	28.20
UAE	28.52	28.57	28.75	28.95
Japan	0.9407	0.9425	0.9425	0.9625

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

	Bid	Offer
Three months	5.88	6.13
Six months	5.89	6.14
One year	5.97	6.47

LIBOR

Special US dollar bonds for June 22

Three months	1.29556 %
Six months	1.44861 %

THE NEWS
Saturday, 24th June, 2017

Textile convention in July

ISLAMABAD: The All Pakistan Textile Mills Association (Aptma) will organise textile convention along with all textile associations of the country in the second week of July.

In the convention, all the textile industries will hold consultations and consensus for future plan of action for the growth of the industry in country, Anis-ul-Haq, secretary general of Aptma told APP on Friday. He emphasised on competitive business environment to compete with the regional competitors for enhancing the country's exports.

"We want to compete with the regional competitors, including India, Bangladesh, Sri Lanka and Vietnam to enhance exports to achieve the target of economic stability and growth," he said. Haq said that Pakistan required export-led growth for economic stability in the country. Textile industry contributed 60 percent in total exports of the country, which is the backbone of the economy, he added. He hailed Rs180 billion "export enhancement package" and said the package would give huge relief to the textile sector for enhancing the exports.

THE NEWS
Saturday, 24th June, 2017

Pakistan yet to include UAE, Panama for exchanging financial data

KARACHI: Federal Board of Revenue (FBR) on Friday issued a list of at least 88 countries, including tax haven Switzerland to automatically swap financial information of their citizens — but does not mention United Arab Emirates and Panama, the tax avoidance hubs for wealthy Pakistanis.

The country will exchange financial information with at least 88 countries from the next fiscal year under an agreement with the Organisation for Economic Cooperation and Development (OECD) to curb tax evasion and avoidance.

FBR issued the list of OECD member countries for the purpose of automatic exchange of information to prevent tax crimes.

The countries include Switzerland, which is infamous for parking in its banks and other avenues illegal money of Pakistanis. The list, however, does not contain the territories, like United Arab Emirates and Panama, which are presently under discussions for potential tax evasion by Pakistanis.

Yet, FBR said the list is provisional and will be updated when required.

In 2016, the country signed OECD's multilateral convention on mutual administrative assistance in tax matters, which is the most powerful multilateral instrument to control offshore tax evasion and avoidance. The country signed the organisation's multilateral competent authority agreement in June to implement the convention from July 1.

The FBR also issued letters to the State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan to intimate banks and other financial institutions to provide information of accounts related to residents and companies of 88 enlisted nations.

The FBR, in a letter to SBP, said a financial institution is required to start due diligence procedure for reportable financial accounts from July 1. It is imperative for FBR to issue the list of participating jurisdictions before the cut-off date, it added.

The FBR said the rules pertaining to exchange of information provide a concept of passive non-financial entity, which is defined as an entity that is not active, and is not a participating jurisdiction of a financial institution.

"As a result, reporting financial institutions are required to look through for controlling persons of such investment entities which are not located in participating jurisdictions," the FBR said. "In such cases the reporting financial institutions will report on the controlling individuals who are reportable."

FBR further said it is important for financial institutions to have a list of participating jurisdictions, "so that they can carry on with their required due diligence process and to apply the 'look through' treatment in case of investment entities, which are non-participating jurisdiction financial institutions." Dubai Land Authority, in the past, had reported that more than two billion dollars flowed from Pakistan in Dubai's real estate sector every year.

THE NEWS
Saturday, 24th June, 2017

Additional 556.52MW solar power to be added to national grid by 2018

ISLAMABAD: The Alternative Energy Development Board (AEDB) has issued seven letters of support (LoS) and 17 letters of intent (LoIs) for various solar projects, which will generate a total of 556.52MW.

Sources told APP on Friday that seven projects were in the process of achieving financial close and would supply 72.52MW to the system by December 2017 and March 2018.

The projects included Access Electric Pvt Ltd, BukhshSolar (Pvt) Ltd and Safe Solar Power Pvt Ltd (10MW each), Acess Solar Pvt Ltd (11.52MW), Blue Star Hydel Pvt Ltd (1MW), Harappa Solar Pvt Ltd (18MW) and AJ Power Pvt Ltd (12MW).

Similarly, the sources said 17 solar power projects of 484MW were at different stages of development and would be completed by 2018/19.

These projects included 50MW each Integrated Power Solution, Jafri and Associates, Solar Blue Pvt Ltd, Forshine (Pakistan), ACT Solar (Pvt) Ltd, Siddiqsons Energy Karachi and ET Solar Pvt Ltd, 20MW each RE Solar-I Pvt Ltd, RE Solar-II Pvt Ltd, 12MW each Janpur Energy Limited, 30MW Asia Petroleum Ltd, 25MW ET Solar Pvt Ltd and 2MW each Crystal Energy Pvt Ltd and First Solar Pvt Ltd.

As many as four solar projects of 400MW capacity had already been operationalised and these projects are QA Solar Pvt Ltd, Appolo Solar Pakistan, Crest Energy Pakistan and Best Green Energy Pakistan Ltd (Quaid-e-Azam Solar Park Bahawalpur).

The sources said in a landmark decision, the National Electric Power Regulatory Authority (Nepra) had already approved the upfront tariff and adjustments / indexations for solar power generation for the delivery of electricity to the power purchaser based on solar PV power plants.

The solar energy is clean, environment-friendly and renewable and also provides benefit of carbon credits.

The overall cost of the project and generation cost is very much competitive, they said, adding that per megawatt cost of solar power was although higher in the beginning, but subsequent decline in the cost made it financially viable solution in the medium-term.

Its installation was also easy and quick and could play an important role in overcoming the energy crisis, they said, adding that low operation and maintenance cost of solar power project is an added advantage, as it would help reduce reliance on external imports of fossil fuel.

The sources said in Pakistan, connecting far off villages to the national grid would be very costly; thus, giving each house a solar panel would be cost efficient and would save investment in transmission lines and transmission losses.

Solar power would facilitate the economy and industry of Pakistan due to its unique benefits and competitiveness, they said. Many countries such as the US, Germany, Australia, Brazil, Britain, Japan, India, China and Thailand are now generating electricity in bulk through solar system, the sources said.

Pakistan receives one of the best solar irradiation in the world and has a potential to generate over 2.324 million megawatts electricity per annum through solar, thermal and photovoltaic systems, but this potential is yet to be tapped.

Solar irradiation in Pakistan and India stand at 1,900kWh/m2, against China's 1,500 and Germany's 1,200kWh/m2.

THE NEWS
Saturday, 24th June, 2017

Govt notifies rules to govern electricity import

KARACHI: The government on Friday notified rules to enable power distribution companies to import electricity from foreign countries in order to curtail energy deficit that, at times, reaches 6,000 megawatts.

In March, the National Electric Power Regulatory Authority (Nepra) announced the rules and sought feedback from stakeholders in a month. The rules, notified by Nepra, will govern electricity import from foreign countries in view of growing power demand and distribution sector's interest in transmission from across the border.

The Nepra (Import of Power) Regulations 2017 provide procedures for the import of electricity from foreign countries as well as generation facilities, located in Azad Jammu and Kashmir, Gilgit Baltistan and territories where the existing Nepra Act is not applied.

Under the new regulations, a buyer or importer will file an application with the authority for tariff determination and based on that the importer will execute power purchase agreement with electricity exporter.

The government has already allowed import of 1,300 megawatts of electricity from central Asian states under the Casa-1,000 power project. The lines will be laid over 1,200-kilometre and electricity will be imported from the beginning of May to the end of September every year, which will ease the electricity deficit in summer when the demand is usually at its peak.

The electricity import is expected to begin from 2019 as the estimated time for laying power transmission lines from the exporting countries to Pakistan is 40 months. Initially, electricity between 1,000MW and 1,300MW will be imported from the Kyrgyz Republic and Tajikistan to Pakistan and Afghanistan. Pakistan will use the major share, while Afghanistan will utilise approximately 300 megawatts.

Pakistan is keen to develop relationship with the energy-rich central Asian states to overcome power shortages in the country. The country is already importing more than 100-megawatt of electricity from neighbouring Iran. The government has planned to increase the quantum manifold.

The electricity demand continues to outpace the supply and deficit, which at times crosses 6,000-megawatt. An increase in electricity demand is directly linked to economic growth. With growth in all economic sectors, it is expected that the demand for electricity will substantially rise in the coming years. Growth was recorded at 5.3 percent, highest in the past one decade.

THE NEWS
Saturday, 24th June, 2017

Weekly inflation up 0.29pc

ISLAMABAD: The weekly inflation for the week ended on June 22 for the combined income groups increased by 0.29 percent as compared to the previous week.

According to the data released by Pakistan Bureau of Statistics (PBS) on Friday, the Sensitive Price Indicator (SPI) for the week under review in the above mentioned group was recorded at 220.48 points against 219.85 points last week.

As compared to the corresponding week of last year, the SPI for the combined group in the week under review witnessed an increase of 1.74 per cent. The weekly SPI has been computed with base 2007, 2008-100, covering 17 urban centres and 53 essential items for all income groups.

Meanwhile, the SPI for the lowest income group up to Rs 8,000 increased by 0.26 percent as it went up from 209.07 points in the previous week to 209.61 points in the week under review. As compared to the last week, the SPI for the income groups from Rs8,001 to Rs12,000, Rs12,001 to Rs18,000, Rs18,001 to Rs35,000 and above Rs35,000, also increased by 0.27 percent, 0.29 percent, 0.29 percent, and 0.29 percent respectively.

During the week under review, average prices of 10 items registered decrease, while 8 items increased with prices of the remaining 35 items unchanged. The items, which registered decrease in their prices during the week under review included cigarettes, onions, gram pulse, moong pulse, red chilli, garlic, mash pulse, masoor pulse, LPG Cylinder, and wheat flour.

The items, which registered increase in their prices included tomatoes, chicken, egg, bananas, mutton, potatoes, gur and vegetable ghee. The items with no change in their average prices during the week under review included wheat, rice (basmati broken), bread, beef, milk, curd, milk (powdered), mustard oil, cooking oil, cooking oil (tin), vegetable ghee (tin), sugar, salt, tea (packet), long cloth, shirting, lawn, electric bulb, washing soap, match box, petrol, diesel, telephone local call and bath soap.

THE NEWS
Saturday, 24th June, 2017

Cotton firm

Karachi

No transaction was recorded at the Karachi Cotton Exchange on Friday, while spot rates remained unchanged.

The spot rates stood firm at Rs6,600/maund (37.324kg) and Rs7,073/40kg. Ex-Karachi rates also remained unchanged at Rs6,735/maund and Rs7,218/40kg after an addition of Rs135 and Rs145 as upcountry expenses, respectively.

An analyst said the market activity remained dull because of long holidays coming ahead. “Last Friday of Ramazan also remained an undeclared holiday for the buyers, as well as sellers,” he added.

New arrivals of cotton were expected in July, but they started arriving in June because the cottonseed became mature amid scorching heat in the cotton belts of Sindh and Punjab. “However, prices of the lint depressed and a fall of around Rs500/maund was recorded in the last few weeks,” he added.

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Nepra says loadshedding won't be eliminated in 2018

NNI

ISLAMABAD - National Electrical Power Regulatory Authority (NEPRA) has warned the government that loadshedding won't be eliminated in 2018 and people will have to wait till 2019 for the complete elimination of loadshedding.

According to NEPRA's State of Industry Report 2016, in the upcoming year of 2018, the menace of loadshedding won't come to an end.

As stated in the report, in 2017, the power shortfall would be 3710 MWs (MW), and in 2018 it will be 500 MW. However, according to the report, in 2019, the country will have a power surplus of 224 MW, 1334 MWs in 2020, and in 2021 the country will have a power surplus of 4694 MWs.

As for demand during peak hours, in 2017, the peak hour power demand is 23,816 MW, in 2018 demand during peak hours will be 25,140 MW, in 2019 it will be 26,439 MW, in 2020 it will be 27725 MW, and in 2021 it will be 29082 MW.

As for power supply, in 2017 it will be 20106 MW, in 2018 it will be 24640 MW, in 2019 it will be 26663 MW, in 2020 it will be 29059 MW, and in 2021, power supply will be 33,776 MW. The report also stated that in 2017, power generation capacity would be 24,643 MW and in 2021 it will be 41,950 MW.

According to NEPRA s report, in the upcoming year, loadshedding will be eliminated from Karachi and in three years K Electric will have a power surplus of 1832 MWs. In 2017, the power demand in Karachi is 231 MWs more than supply. Although the loadshedding occurring in the city says otherwise.

Moreover, this year, supply of electrical power by K electric is 3128 MWs and in peak hours the power demand is 3359 MWs. In 2020, K Electric's demand will rise to 3894 MWs while K Electric s supply will rise to 5726 MWs.

According to the report, in 2018, K-Electric will have a power surplus of 138 MWs, in 2019 447 MWs, and in 2020, it will have a power surplus of 1832 MWs. The report also revealed that between 2010 and 2015, K-electric undertook no major investment.

In the five years, K-electric has only added 3 kilometres of overhead transmission wires. It has added a 220 KV underground line, and 132 KV and 660KV voltage level systems. In the last five years, K-electric has restored 4 grid stations. According to the report, K-electric will till 2027 make an investment of 27 billion rupees.

Meanwhile, a spokesman of the Ministry of Water and Power on Friday said that the Ministry is making all out efforts to bring in sustainable reforms in the power sector and is open to positive suggestions. Commenting on National Electric Power Regulatory Authority's (NEPRA) State of Industry Report 2016, the spokesman said, "The Ministry is examining the report in detail and will issue its point of view shortly."

He said, "Since the report is not issued in its due time and the power sector achieved many milestones in the meanwhile, therefore the report's data needs critical analysis."

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Weekly inflation increases 0.29pc

APP

ISLAMABAD - The weekly inflation for the week ended on June 22 for the combined income groups increased by 0.29 percent as compared to the previous week.

According to the data released by Pakistan Bureau of Statistics (PBS) on Friday, the Sensitive Price Indicator (SPI) for the week under review in the above mentioned group was recorded at 220.48 points against 219.85 points last week.

As compared to the corresponding week of last year, the SPI for the combined group in the week under review witnessed an increase of 1.74 per cent.

The weekly SPI has been computed with base 2007, 2008=100, covering 17 urban centers and 53 essential items for all income groups.

Meanwhile, the SPI for the lowest income group up to Rs 8,000 increased by 0.26 percent as it went up from 209.07 points in the previous week to 209.61 points in the week under review. As compared to the last week, the SPI for the income groups from Rs 8,001 to 12,000, Rs 12,001 to 18,000, Rs 18,001 to 35,000 and above Rs 35,000, also increased by 0.27 percent, 0.29 percent, 0.29 percent and 0.29 percent respectively.

During the week under review, average prices of 10 items registered decrease, while 8 items increased with the remaining 35 items' prices unchanged.

The items, which registered decrease in their prices during the week under review included cigarettes, onions, gram pulse, moong pulse, red chilly, garlic, mash pulse, masoor pulse, LPG Cylinder and whet flour.

The items, which registered increase in their prices during the week under review included tomatoes, chicken, egg, bananas, mutton, potatoes, gur and vegetable ghee.

The items with no change in their average prices during the week under review included wheat, rice (basmati broken), bread, beef, milk, curd, milk (powdered), mustard oil, cooking oil, cooking oil (tin), vegetable ghee (tin), sugar, salt, tea (packet), long cloth, shirting, lawn, georgette, gents sandal, gents chappal, ladies sandal, electricity charges, gas charges, kerosene oil, firewood, electric bulb, washing soap, match box, petrol, diesel, telephone local call and bath soap.

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Govt borrows $2.9b from commercial banks in 11 months

Imran Ali Kundi

ISLAMABAD - The government took massive loan of $1.5 billion from commercial banks during May in order to sustain its foreign exchange reserves after repaying $750 million Eurobond debt.

Pakistan has paid back $750 million Eurobond debt but only after receiving $1.5 billion loan from commercial banks during last month. The government had to retire a liability of $750 million Eurobond debt incurred during the rule of Pervez Musharraf. In 2007, the Musharraf government had issued 10-year bonds at a 6.875 percent interest rate.

The government has borrowed $2.9 billion from the commercial banks during eleven months (July-May) of the ongoing financial year as against budgeted $2 billion for the whole year. Sources informed The Nation that the government has borrowed from Chinese banks on an interest rate ranging from 4.22 percent to 4.44 percent. The government's foreign exchange reserves are under pressure due to repayment to the loans taken in past. The reserves have come down to $20.4 billion from historic level of $24 billion of last year. The State Bank of Pakistan's (SBP) held reserves are $15.4 billion and commercial banks reserves are $4.9 billion.

According to the latest documents of Economic Affairs Division (EAD), the government borrowed $7.7 billion during eleven months (July-May) of the year 2016-17. Major components of the borrowing were $2.9 billion loan from foreign commercial banks and issuance of $1 billion Sukuk bonds last year. Pakistan had borrowed $1.3 billion from China during July-May 2016-17. Major component of Chinese loan, $1.3 billion, was spent on balance of payment support. However, the project loans from China during the first ten months were only $565 million.

The government had projected to receive $1.03 billion from China during entire current financial year. Meanwhile, the Asian Development Bank (ADB) had disbursed $940 million to Islamabad, which is 89.6 percent of the annual estimates. The loans from the World Bank stood at only $543.3 million or 37.5 percent of the annual estimates of $1.5 billion. The Islamic Development Bank gave $496.8 million to Pakistan.

The government had also borrowed $22.64 million from Asian Infrastructure Investment Bank (AIIB) in the current financial year which was not budgeted as per the EAD data. The data shows that the government borrowed $5 million from the Eco Trade Bank which was also not budgeted.

International Bank for Reconstruction and Development (IBRD) disbursed $216.3 million including $27.6 million in the month of May against the budgeted estimates of $62.48 million for the current fiscal year, UNHCR disbursed $0.88 million, Japan disbursed $48.37 million against the budgeted $77.13 million for the current fiscal year and UK released $158.39 million. EU disbursed $17.84 million in the current financial year against the budgeted estimates of $51.12 million.

The country received no assistance from France, Korea, Norway, Oman, Saudi Arabia, UNDP and Organisation of the Petroleum Exporting Countries (Opec) during the period under review.

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National grid to have additional 556.52MW solar energy by 2018

APP

ISLAMABAD - Alternative Energy Development Board (AEDB) has issued seven Letters of Support (LoSs) and 17 Letters of Intent (LoIs) for various solar projects which will generate a total of 556.52 MW electricity.

Official sources told APP here on Friday that seven project were in process of achieving financial closing and would supply 72.52 MW electricity to the system by December 2017 and March 2018.

Similarly, they said, 17 solar power projects of 484 MW were at different stages of development and would be completed by 2018-19. As many as four solar projects of 400 MW capacity had already been operationalized.

It is also pertinent to mention here that in a landmark decision, the National Electric Power Regulatory Authority (NEPRA) had already approved the upfront tariff and adjustments/indexations for solar power generation for delivery of electricity to the power purchaser based on solar PV power plants.

The solar energy is clean, environment friendly and renewable and also provides benefit of carbon credits. The overall cost of project and generation cost is very much competitive. The sources said although the per MW cost of solar power is higher in the beginning but subsequent decline in cost made it financially viable solution in the medium term.

Its installation was also easy and quick and could play an important role for overcoming energy crisis, they said. They said low operation and maintenance cost of solar power project was an added advantage. It would help reduce reliance on external imports of fossil fuel, they said.

The sources said, in Pakistan, connecting far off villages to the national grid would be very costly, thus giving each house a solar panel would be cost efficient and would save investment in transmission lines and transmission losses.

They said solar power would facilitate the economy and industry of Pakistan due to its unique benefits and competitiveness.

Many countries USA, Germany, Australia, Brazil, UK, Japan, India, China and Thailand were now generating electricity in bulk through solar system, they said.

It is also worth mentioning here that Pakistan receives one of the best solar irradiation in the world and has a potential to generate over 2.324 million megawatts electricity per annum through solar thermal and photovoltaic systems but this potential is yet to be tapped. Solar irradiation in Pakistan and India stand at 1,900 (kWh/m2), against China's 1,500 and Germany's 1,200.