BUSINESS RECORDER

Tuesday, 26th April, 2017

Transmission, distribution system:

PM shaken by power challenges

MUSHTAQ GHUMMAN

Ministry of Water and Power's poor performance has reportedly shaken the Prime Minister Nawaz Sharif. During a recent meeting of the Cabinet Committee on Energy (CCoE) presided over by the Prime Minister, it was felt that insufficient capacity of transmission and distribution system would mar the efforts of the government to resolve the energy crisis.

The sources said, while updating the progress on Matiari-Lahore Transmission Line Project, Managing Director, NTDC informed the meeting that it was the first High Voltage Direct Current (HVDC) project in the country, being constructed by China Electric Power Equipment and Technology Co, Ltd (CET)/ State Grid Corporation of China (SGCC) under the CPEC program. The transmission line would evacuate 4,000 MW electricity from Port Qasim coal project, Hubco coal project, Engro Thar coal project, SSRL (Thar) coal project. He further revealed that the Implementation Agreement (IA) and Transmission Service Agreement (TSA) of the project had been finalised and would be submitted soon to the ECC for approval. The Chinese contractor had agreed to start construction of the project before the financial close to achieve COD in October/ November, 2009.

The Prime Minister observed that Matiari-Lahore Transmission Line project had already been delayed considerably; it should have been completed well before the addition of new generation in the national grid. The Managing Director NTDC stated that the delay occurred due to a dispute over tariff determination by Nepra. Moreover, since the projects in Thar are also delayed, early completion of line would have entailed capacity charges. Synchronisation of HVDC line with COD of power plants is a desirable goal.

Secretary to Prime Minister Fawad Hasan Fawad was of the view that the main challenge in the energy sector was transmission and distribution capacity to fully utilise additional generation in the system. There was a dire need to complete transmission line projects as early as possible for evacuation of generation to be added through construction of new power plants. The Prime Minister directed Ministry of Water and Power to complete the Matiari-Lahore Transmission Line project within the given time line.

Secretary to Prime Minister emphasised enhancement of existing capacity of Discos to utilise power generation to be added through construction of new power plants. General Manager, National Power Control Centre (NPCC) informed the meeting that the capacity of Discos was being enhanced through installation of new transformers to cope with the newly added generation.

He also presented data on the demand and draw of power by Discos against their allocations for 24 hour cycle in July and August 2016. During this period, Discos demanded 20,162 MW against their total allocation of 20,800 MW but actually they could draw, 322 MW. He further added that all Discos were being supplied with their maximum demand without any load shedding.

The Secretary to Prime Minister stated that lower consumption by Discos as against allocated supplies clearly suggest that there are system constraints in transmission and distribution system. This will worsen with further commissioning of additional capacity in 2017 and 2018.

Officials who keep a close eye in groupings in the bureaucracy maintain that the " Lahori Group" of bureaucracy has practically taken over the Ministry. The newly appointed Additional Secretary Water and Power, Dr Amir Ahmad, who is also said to be a member of the "Lahori Group", sources claim, has also been appointed Managing Director, Pakistan Electric Power Company (Pepco). He took over the charge of MD Pepco prior to issuance of formal notification.

BUSINESS

RECORDER

Tuesday, 26th April, 2017

Tax defaulters:

PAC for blocking CNICs, passports

ABDUL RASHEED AZAD

The Public Accounts Committee (PAC) Tuesday recommended the government to block the computerised national identity cards (CNICs) and passports of the tax defaulters. The committee which met here under the chairmanship of acting Chairman PAC Sardar Ashiq Hussian Gopang, was informed by the officials of the audit department that irregularities to the tune Rs 169.7 billion have been unearthed in Inland Revenue Department of the Federal Board of Revenue (FBR) during the 2013-14.

Member Committee Pervaiz Malik revealed that an industrial group of Faisalabad is a defaulter of Rs 12-13 billion on account of taxes. Audit officials told the committee that 22 cases of Inland Revenue Department of FBR are pending in various courts, worth Rs 26.37 billion, on account of tax evasion/defaulters. According to audit report, the FBR has so far got verified Rs 20 billion tax collections details from various defaulters.

Briefing the committee, FBR Chairman Dr Muhammad Irshad said that overall Rs 300 billion recovery cases are pending in different courts and the Board is unable to take any action against the defaulters due to stay orders. Irshad said that FBR is facing immense problems due to prolonged stay orders in recovery cases and has sought the Parliament's support and legislation in this regard, adding that FBR has no powers to block CNICs and passports of tax defaulters.

He said that only National Database & Registration Authority (NADRA) has the power to block CNIC of any person. He also said that FBR is taking help from Securities and Exchange Commission of Pakistan (SECP), NADRA and other agencies to recover tax money from defaulters. The PAC directed FBR not only to block CNICs but also passports of those people who are not paying due taxes.

The FBR was further directed to take up the issue with Interior Ministry and proper process should be started in the matter. The FBR chairman said recovery process has already been expedited and steps are being taken to pursue cases in light of PAC direction. He said high courts and others courts are requested to constitute special benches to hear the cases. He said the FBR has prepared software to improve and monitor the tax collections and tax recovery will increase after its installation.

The PAC directed the chairman FBR to ensure holding of departmental audit committee (DAC) meetings in time and take stern action against responsible officials for their failure to recover public money. Irshad said earlier there was no legal wing in FBR, therefore, it failed to get the services of competent lawyers but now a full-fledged legal wing is working in FBR and the entity has hired best available lawyers to pursue pending court cases and vacate stay orders.

Mehmood Khan Achakzai was of the view that FBR has been unable to recover the amount during the last five years. He said the audit report reflects that no action has been taken against any official for his failure. The chairman FBR said an amount of Rs 25 billion has been recovered during the last two months and overall recovery stands at 94 per cent.

He said FBR took assistance of various organisations including NADRA, SECP, etc, for recovery but the tax collector could not block CNIC of any citizen. However, he said blocking of CNIC would help a lot in recovery of public money. The committee was attended by parliamentarians including Chaudhary Tanvir Khan, Kazim Ali Shah, Dr Azra Fazal, Shahida Akhtar Ali, Pervaiz Malik, Mehmood Khan Ackhazai, Raja Javeed Akhlas, Junaid Anwar Chauhary, Sheikh Rohail Asghar, Sheikh Rashid Ahmad, Dr Darshan, Rana Muhammad Afzal, Arshad Khan Laghari and officials of FBR and audit department.

BUSINESS
RECORDER
Tuesday, 26th April, 2017

US briefed about anti-terror financing steps

RECORDER REPORT

Federal Minister for Finance, Senator Mohammad Ishaq Dar met US Treasury Secretary. Steven Mnuchin and apprised him about the economic development in Pakistan since 2013, after PML-N took administrative charge of the country. Senator Ishaq Dar informed Treasury Secretary that Pakistan, for the first time in its history has completed an IMF Program which has put economy on solid footing. He said that after the recovery period, now the economy is ready for sustained and inclusive growth.

The Finance Minister stated that as a result of prudent economic policies, the fiscal deficit has come down from 8.2% in 2013 to 4.5% in 2016. Similarly, the foreign exchange reserves have gone up to over $21 billion which is over 04 months of our import bill. He said Pakistan is now eligible for IBRD loans, which is providing us much needed fiscal space for development projects.

While responding to a question from Treasury Secretary about efforts being made by the Government to control the menace of terrorist financing, Ishaq Dar said that the government of Pakistan is firmly committed to eliminating terrorism in all its manifestations. He shared the details of Operation Zarb-e-Azb with Treasury Secretary and stated that the government is spending huge sum of money not only on the operational side but also to rehabilitate internally displaced persons. Moreover, the government is enforcing legal controls to prevent misuse of banking channels to avoid flow of funds to terrorist organizations.

US Treasury Secretary Munchin appreciated the recent turnaround witnessed by the Pakistan's economy and efforts made by the government to control terrorist financing. He observed that both the countries should work together to curb this menace. Finance Minister Dar further said that we look forward to working with the new US Administration not only in economy but also in other areas. He reiterated that there is a greater need to work closely with each other for mutual benefit.

BUSINESS
RECORDER
Tuesday, 26th April, 2017

Pakistan making concrete efforts towards achieving higher growth: Dar

RECORDER REPORT

Finance Minister Senator Ishaq Dar has said that Pakistan was improving ease of doing business in the country. After having achieved macroeconomic stability, the government was now making concrete efforts to achieve sustainable and inclusive higher growth, he added. The minister was addressing members of US-Pakistan Business Council (USPBC) at US Chamber of Commerce at Washington.

The present government was committed to ensuring transparency in all sectors of the economy and for this it was working closely with international organizations. For the government bringing good governance through transparency and fighting against corruption & tax evasion was a serious business, Dar emphasised.

Ishaq Dar apprised the audience that international rating of Pakistan had improved from negative to positive during the span of last four years. "Our stock market has emerged as 5th best performer in the world which clearly indicated that Pakistan had huge potential for investment. Pakistan had so far introduced 24 laws to make the environment business friendly where as ten more such laws were in the making," Dar said.

While stating that Pakistan and the US had long history of strong bilateral relations particularly in the arena of trade, business & social development, Dar urged the US investors to take advantage of the tremendous investment opportunities coming up in Pakistan.

He informed the participants that international companies must consider relocating their manufacturing operations to Pakistan as the country had abundant supply of cheap labour and provided convenient access to very large regional market. Presently, Pakistan was offering low interest rate and was in the process of setting up Pakistan Infrastructure Bank led by IFC to provide capital for infrastructural development to the private sector. Finance Minister Ishaq Dar added that financial & digital inclusion of Pakistani population was among top priorities of the government. The event was attended by the representatives of large US Multinationals including GE, Boeing, LockHeed Martin, Proctor & Gamble, Monsanto, ExxonMobil, Motorola, Uber, Cocacola and others who greatly appreciated the robust improvement in economic and business environment in Pakistan.

BUSINESS
RECORDER
Tuesday, 26th April, 2017

THE RUPEE: Firm trend

RECORDER REPORT

Firmness prevailed on the money market on Tuesday as the rupee held it's present levels against the dollar in the process of trading, dealers said. The rupee showed no change versus the dollar for buying and selling at Rs 104.85 and Rs 104.86 respectively, they said.

INTER-BANK MARKET RATES: OPEN MARKET RATES: The rupee did not move any side in terms of the dollar for buying and selling at Rs 105.90 and Rs 106.10 respectively, however it lost 20 paisas further in relation to the euro for buying and selling at Rs 114.40 and Rs 115.90 respectively, they said.

In the first Asian trade, The euro steadied, pausing after a rally sparked by the first-round results of the French presidential election, while the Canadian dollar fell after the US slapped duties on Canadian softwood lumber.

The euro last traded at $1.0866, off Monday's peak of around $1.0940, its highest level since Nov 10, after centrist Emmanuel Macron won the first round of the French presidential elections. Polls show Macron defeating anti-EU, anti-euro nationalist Marine Le Pen in a runoff vote due to take place next month.

The euro's sharp bounce on Monday was partly due to the triggering of stop-loss buying at $1.09, said Tan Teck Leng, forex analyst for UBS Wealth Management in Singapore.

The dollar was trading against eh Indian rupee at Rs 64.310, the greenback was at 4.379 in terms of the Malaysian ringgit and the US currency was at 6.884 against the Chinese yuan. Inter bank buy/sell rates for the taka against the dollar on Tuesday: 80.03-80.03 (previous 79.95-79.95).

Open Bid	Rs. 105.90
Open Offer	Rs. 106.10

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

Bid Rate	Rs. 104.85
Offer Rate	Rs. 104.846

RUPEE IN LAHORE: The Pak rupee failed to sustain against the major currencies including the American dollar and the British pound in the local currency market on Tuesday.

The local currency dealers said the demand and supply situation of the US dollar remained intact that kept the local currency under pressure throughout the trading session.

Consequently, it rose to Rs 106.00 and Rs 106.40 on buying and selling counters, respectively, as compared to the overnight closing rates of Rs 105.85 and Rs 106.15 respectively, the dealers added. Versus the pound sterling, the local currency also followed the same suit. The pound' buying and selling rates drifted from Monday's closing trend of Rs 134.50 and Rs 135.30 to Rs 134.60 135.35 respectively, they said.

BUSINESS
RECORDER
Tuesday, 26th April, 2017

FBR re-verifying all IT/WHT exemption certificates

SOHAIL SARFRAZ

The Federal Board of Revenue (FBR) is re-verifying all income tax/withholding tax exemption certificates of Rs 118 billion issued at import stage during 2016-17 as compared to Rs 109 billion worth certificates issued in 2015-16. Sources said that the exemption certificates of Rs 109 billion were issued in 2015-16 at the import stage. So far, income tax exemption certificates of Rs 118 billion have been issued in 2016-17 for availing exemptions on imports. There is an increase of Rs 9 billion in issuance of tax exemption certificates during 2016-17.

The increased number of exemption certificates in 2016-17 has serious impact on collection of withholding tax at import stage. The revenue collection on this account has been decreased on imports due to large number of such certificates issued during the current fiscal year. The increase of Rs 9 billion in issuance of such certificates has promoted the tax authorities to re-verify the same. The Board has decided to revisit income tax/withholding tax exemption certificates issued during 2016-17. The FBR has already directed field formations to verify exemption certificates (section 148 of the Income Tax Ordinance 2001) issued by the field formations by constituting teams of senior tax officials in large taxpayer units (LTUs) and regional tax offices (RTOs) to conduct field visits for verification exercise across the country.

In this regard, the FBR had issued instructions to the chief commissioners of LTUs/RTOs to verify each exemption certificates issued by the field formations. According to the FBR, the chairman FBR pointed out during last chief commissioners' conference that a number of exemption certificates issued during the current fiscal year (2015-16) were much higher. Consequently, it has impacted the collection of taxes u/s 148 of the Income Tax Ordinance 2001. The chairman FBR and FBR member (IR operations) showed their concern in this regard and stated that due care should be exercised while issuing exemption certificates in accordance with the laid-down procedure. It was accordingly decided that the field formations shall be extra vigilant in issuance of the exemption certificates.

It was further decided that the chief commissioners shall submit a detailed report regarding cases where exemption has already been granted. For future, a team of officials headed by an officer not below BS-18 shall be constituted, which would conduct field visits for verification of the facts in each case where exemption has been sought. Names of team members shall be communicated to the board.

All exemption certificates must be issued in strict accordance with relevant provisions of law and SROs issued by the FBR. The FBR has also has expressed serious concern over massive misuse of exemption certificates at import stage. It was decided to take measures to cancel inadmissible certificates through verification exercise and ensure preventive measures to avoid such issuance of certificates in future.

BUSINESS
RECORDER
Tuesday, 26th April, 2017

Economic growth rate of 5 percent achieved, claims Ahsan

NAVEED BUTT

Federal Minister for Planning, Development and Reform, Ahsan Iqbal has said that Pakistan has achieved an economic growth rate of five per cent and the world's key investors are eying Pakistan as a potential investment market due to political stability.

He expressed these views here on Tuesday, while addressing the participants of 106th National Management Course who visited Planning Commission as part of their inland study tour. The minister told the participants that Pakistan needs to benefit from opportunities being offered by the China-Pakistan Economic Corridor (CPEC) and transform its economy to a modern industrial economy.

The minister briefed the participants that global political landscape is changing sharply and inward political approach is being followed by the US, UK and Europe. He said that in contrast, China is promoting regional and global connectivity across the Asia Pacific region as part of its 'One Belt, One Road' initiative. He said that in the same vein, Pakistan's Vision 2025 enables it to leverage its geo-strategic location and explore the economic options offered therein. He said that the CPEC is a fusion of Pakistan's Vision 2025 and 'One Built, One Road' initiative.

Stressing the importance of Pakistan's geographical location, he said that the CPEC would physically and economically integrate Pakistan with China, Central Asian Republics and Eurasian region under the wider framework of 'One Belt, One Road (OBOR)' and Pakistan vision 2025.

He said that the CPEC has changed world narrative about Pakistan. "The country which was ranked as the most dangerous country of the world is now termed as emerging economy." Pakistan is labelled as a safe haven for billion dollar Chinese investment, he added.

Explaining the breakdown of Chinese investment under the CPEC, he stated that the US $35 billion investment under energy portfolio is being done in independent power producers (IPPs) mode, which is being regulated by the National Electric Power Regulatory Authority (NEPRA). He further said that the CPEC energy projects would generate 14000-15000MW of electricity which would help overcome the prevailing energy crisis.

He said that the CPEC energy portfolio includes coal, hydel and renewable energy projects. The present government for the first time opted for utilisation of untapped black gold to generate electricity at much cheaper rates which would support to rise in export, he added.

He dispelled the impression that coal power plants would create environmental hazards, saying that Pakistan is using super critical modern technology which reduces hazardous emissions. The minister urged the participating civil service officers to put in their best efforts in serving the country. He emphasised that officers should use their best abilities in policy formulation and implementation in their respective departments.

On this occasion, Additional Secretary Ministry of Planning, Development and Reform, Zafar Hassan told the participants that the CPEC long-term plan sets the scope for development of agriculture and other sectors under the CPEC framework. He further said that Board of Investment is preparing a comprehensive package for industries which would be furnished shortly.

"The package would support to implement the plan of establishing special economic zones," he said, adding that all the provincial governments are fully onboard to make this sector a success story. Project Director CPEC, Hassan Daud Butt gave a detailed briefing on the CPEC to participants. He apprised the participants that work in energy and infrastructure projects are being undertaken at a faster pace. He further said that the CPEC long-term plan has been prepared after an extensive consultative process with all stakeholders and it will be approved shortly.

BUSINESS
RECORDER
Tuesday, 26th April, 2017

LCCI urges FBR to clear pending refunds

RECORDER REPORT

The Lahore Chamber of Commerce and Industry has urged the Federal Board of Revenue (FBR) chairman to take necessary steps for releasing stuck-up refunds which rose to about Rs 300 billion at the earliest as delay is adding to the miseries of the business community.

LCCI President Abdul Basit in a statement on Tuesday said the industries in Punjab are on the verge of collapse and dozens of industries are closing down on daily basis. Though shortage of electricity is a contributory factor, 24/7 supply of energy is ensured for the last six months or so. The last nail in the coffin of industrial sector is being pushed by the FBR by refusing to release refunds stuck up with them for the last so many years, he said.

Sometimes a major portion of the refund is 'deferred' due to inexplicable reasons for which no details are given. Most of the time brief answer is given that FBR's computer system has automatically 'deferred' it or 'rejected' it. From July 2016, the coal and diesel was made zero rated for five export sectors for which a separate general order had to be issued by the FBR for every exporter but requests are still pending in this regard at the FBR Lahore office. Most of the industries in Punjab are shifted to coal as such the major refunds are also stuck due to 17 percent sales tax on coal.

The industries in Punjab are closing as their major working capital, which is blood line of any business, is stuck with the government. He urged the Punjab Chief Minister and Prime Minister's Advisor on Finance to rescue the industrial sector of Punjab by releasing the stuck up refunds.

BUSINESS
RECORDER
Tuesday, 26th April, 2017

Main buyers remain absent from cotton market

RECORDER REPORT

Main leading buyers were conspicuous by their absences on the cotton market on Tuesday due to lack of less buying interest, dealers said. The official spot rate was unmoved at Rs 6700, they said. In ready session, around 1100 bales of cotton changed hands between Rs 6400 and Rs 7000, they said. Market sources said that local market is moving in line with the international market these days.

Cotton analyst, Naseem Usman said that sowing in Sindh is on full swing and now cotton sowing restarted in the Punjab due to easy supply of irrigation water. In the meantime, it was observed that major buyers stayed away from the routine business in the absence of incentives. The overall depressed performances by the textile industry, besides, declining trend in exports discouraging the cotton trade for the last couple of months, other sources said.

The textile industry is asking government to make clear the outstanding amount. Customs duty and sales tax refunds as it was causing financial problems, they observed. On the other hand, according to the Pakistan Bureau Statistic (PBS), textile and closing exports rose 6.2 percent in March.

Adds Reuters: ICE cotton futures fell on Monday, snapping a three-session gain on the first notice day for the May contract, on weaker demand for the natural fibre. The July cotton contract on ICE Futures US settled down 0.68 percent at 78.79 cents per lb, after touching the highest since March 20 at 79.63 cents earlier in the session.

The July contract has reversed. It's showing weakness and that's a little confusing because the sales have been so good. The May cotton contract on ICE Futures US settled up 1.39 percent at 80.09 cents per lb on Monday. Total futures market volume fell by 1,161 to 25,884 lots. The following deals reported: nearly 500 bales of cotton from Samundri sold at Rs 6400 and 600 bales of cotton from Rahim Yar Khan at Rs 7000, they said.

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

Rate For	Ex-Gin Price	Upcountry Expenses	Spot Rate Ex-Karachi	Spot Rate Ex-Karachi As on 24.04.2017	Difference Ex-Karachi in Rupees
37.324 Kgs Equivalent	6,700	135	**6,835**	**6,835**	NIL
40 Kgs	7,180	145	**7,325**	**7,325**	NIL

BUSINESS
RECORDER
Tuesday, 26th April, 2017

Cotton rises on mill support, short-covering

RECORDER REPORT

ICE cotton futures rose on Tuesday, supported by mill fixations and short-covering, amid a softer US dollar. "There's been a bit of selling yesterday and today early on and then the fixation buying came in and propped it back up," said Peter Egli, director of risk management at British merchant Plexus Cotton.

The July cotton contract on ICE Futures US settled up 0.72 percent at 79.36 cents per lb on Tuesday after declining 0.7 percent in the previous session. "There are plenty of shorts to cover ... Every time we sell off, we run into the trade short-covering and then it props it back up."

The July cotton contract on ICE Futures US settled up 0.57 cent, or 0.72 percent, at 79.36 cents per lb. It traded within a range of 77.97 and 79.41 cents a lb. Total futures market volume fell by 5,365 to 20,718 lots. Data showed total open interest gained 2,265 to 245,139 contracts in the previous session. The dollar index was down 0.30 percent. About 11 percent of plantings have been completed in 15 major cotton producing states across the United States in the week to April 23, up from 8 percent the previous week, the US Agriculture Department said in a weekly report released after market close on Monday.

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	79.94	80.07	79.00	80.71	14:20 APR 25	80.71	0.62	194	80.09
Jul'17	78.83	79.41	77.97	79.36	14:20 APR 25	79.36	0.57	18817	78.79
Oct'17	75.35	76.15	75.30	76.10	14:20 APR 25	76.10	0.90	43	75.20

BUSINESS

RECORDER

Tuesday, 26th April, 2017

The energy sector

RECORDER REPORT

It has been reported that the Cabinet Division has been granted the power to set electricity tariff to the Minister for Water and Power, Khawaja Asif. The reasons are twofold: (i) the line losses as well as actual bill collection allowed by the regulator, National Electric Power Regulatory Authority (Nepra), in setting tariff is considerably higher than what is in fact the case - a situation that accounts for rising receivables of power sub-sectors generating the debilitating circular debt; and (ii) the government in any event sets the final tariff, that is subsequent to Nepra submitting the proposed tariff for review, as then deliberates on the amount of subsidy it would extend.

These are valid concerns voiced repeatedly by the Ministry of Water and Power; however, there is a downside to this move as Nepra has opposed the government's proposed tariff determinations for a number of extremely valid reasons that aimed to protect the interest of the consumers. For example, Nepra refused to entertain the Ministry's recommendation to add security-related costs to tariff for power projects awarded to Chinese companies last year by pointing out that the existing tariff already includes a security cost.

In addition, the Central Power Purchase Agency (CPPA) requested Nepra to approve a Rs 1.62 tariff reduction in power tariff for January but instead Nepra approved a Rs 3.23 per unit reduction on legitimate grounds and pointed out that: (i) inefficiently-run plants (state-run generation companies) were adding to the costs of generation by violating merit and that higher tariff would reflect rewarding inefficiency; (ii) CPPA's poor and delayed accounting practices claiming a Rs 9.8 billion adjustment of 11-year-old bills without any certification or evidence prompting the Nepra Chairman to maintain that "we will take the legal opinion whether such delayed claims can be entertained or not;" and (iii) Nepra maintained that the cost per unit from the controversial Nandipur power plant was well above the determined tariff and as a result, over Rs 2.5 billion worth of rightful charges could not be allowed in the tariff resulting in an additional debt servicing cost that would ultimately need to be passed on to the consumers which was extremely unfair. No doubt, there would be an overwhelming support from the public to all three of the decisions taken by Nepra based on an impeccable rationale.

It is precisely for these reasons that multilaterals, including the World Bank, have repeatedly expressed serious concerns at attempts to undermine the regulator's autonomy. In a recent letter, the World Bank urged the government to allow Nepra to maintain its autonomy - a letter written subsequent to the government's attempt to bring five regulators, including Nepra, under the administrative control of the line ministry, as opposed to the Cabinet Division - a move checkmated through the courts.

To conclude, Nepra, together with the other four regulators, performs a critical service for the public and it does so by reining in unjustified demands for higher tariffs by not only inefficiently-run Gencos and CPPA, but also higher tariff demands by members of the administration who have taken the decision to implement a flawed project such as Nandipur. Be that as it may, it may also be appropriate for Nepra to be more realistic in assessing the line/distribution losses as well as the Discos' bill collection rate.

DAWN
Tuesday, 26th April, 2017

Imports of oil, food, machinery surged to $21bn in July-March

MUBARAK ZEB KHAN

ISLAMABAD: The combined import bill of food, oil and machinery ballooned to a record $21.097 billion in the first nine months of the current fiscal year, a 30 per cent increase over the last year, despite stable prices of oil and grains on the international market.

According to the Pakistan Bureau of Statistics, the share of the three groups edged up to 55 per cent in the total import bill during the period from 50pc a year ago. Pakistan's overall imports stood at $38.5bn in the nine-month period.

Petroleum imports increased 27.5pc year-on-year to $7.75bn in the July-March period. In March, petroleum imports skyrocketed 92pc to $1.07bn.

A breakdown shows that imports of petroleum products went up by 29pc to $4.85bn while those of petroleum crude were almost flat at $1.84bn in July-March.

The import bill of liquefied natural gas surged by 144pc and that of liquefied petroleum gas by 34pc.

A steep increase in the import of petroleum products indicates that local refineries are not operating at full capacity.

The second-biggest component in the import bill was of machinery imports which went up by 42pc to $8.82bn during the period under review from $6.21bn a year ago. In March, machinery imports jumped 39pc year-on-year to $1.01bn.

The growth was mainly driven by power generating machinery. Its import grew by 76.5pc year-on-year to $2.37bn, followed by electrical machinery and appliances whose imports rose by 25.7pc to $1.03bn and other machinery by 53pc to $2.54bn.

The import bill of office machinery went up by 60pc year-on-year, textile machinery by 20.8pc, construction machinery 66.8pc and agriculture machinery 35.8pc. However, the import bill of the telecom sector fell 1.7pc to $1.028bn.

Mobile phone imports dropped, but imports of other apparatus went up by around 7pc during the period under review.

The third-biggest component was food commodities whose imports rose 15pc year-on-year to $4.53bn.

The import bill of food items stood at $1.52bn, followed by $1.38bn of palm oil, $721.84m of pulses, $411.4 million of tea, $130m of dry fruit and nuts and $102m of spices.

Imports of soya bean oil and milk products also grew during the period under review.

DAWN
Tuesday, 26th April, 2017

Profit outflows cross $1.3bn

SHAHID IQBAL

KARACHI: There is a need to reassess the utility of foreign investment in Pakistan as the outflow of profits and dividends crossed the $1.3-billion mark by the end of the third quarter of 2016-17.

Despite China's leading role in the recent rise in foreign direct investment (FDI), inflows remained largely ineffective due to the rising outflow of profits and dividends.

The State Bank of Pakistan (SBP) reported on Tuesday that profits and dividends repatriated from the country rose to $1.33bn in July-March. Higher repatriation of profits and dividends is usually recorded in the last quarter of the fiscal year. This means the annual repatriation can reach $2bn by the end of June.

Even if the repatriation of profits continues at the current pace, total reverse remittances will amount to about $1.8bn for the fiscal year.

This should be a cause for concern for the government, which is trying to strike a balance between the trade deficit and remittances sent by overseas Pakistani workers. The external sector is in trouble because the trade deficit is at a record high while remittances declined year-on-year at the end of the third quarter of 2016-17.

Policymakers received criticism for a ballooning current account deficit, which was over $6bn during the first nine months of 2016-17. This has left the government with little space to keep foreign exchange reserves above $20bn. Reserves have been falling since October 2016.

According to the SBP report, the payment on FDI alone crossed $1bn during the nine months, which is slightly higher on a year-on-year basis.

There was no significant change in the payment on foreign portfolio, which remained around $260 million against $268m a year ago.

The government expected that the repayment on FDI and foreign debt servicing would not see substantial change until 2019. But the scenario has changed with the unexpectedly high trade deficit coupled with falling remittances.

Experts believe the nine-month current account deficit has weakened the country's position in the international bond market. It means the government will have to either pay a higher interest rate to raise dollars through bonds or borrow from international commercial banks.

The highest amount, $191.3m, was repatriated through financial businesses during the nine-month period while the food sector sent abroad $161.3m. Investment in the food sector is on the rise as major food chains establish their businesses in major cities.

Repatriations from oil and gas exploration, petroleum refining and chemical sectors were $102m, $92.9m and $87m, respectively.

DAWN
Tuesday, 26th April, 2017

Cotton price steady

THE NEWSPAPER'S STAFF REPORTER

KARACHI: Cotton prices remained steady on Tuesday amid slow demand from spinners. Ginners also seemed to be in no hurry to sell their stocks, brokers said.

Reports coming from Sindh cotton fields suggest that flow of water to lower part of the province has improved and the provincial government has also imposed a ban on sugarcane cultivation in district Sanghar.

Similarly, the Punjab government is also taking measures to increase area under cotton cultivation. Steps have been taken to convert sugarcane area in district Rahimyar Khan back for cotton cultivation, they added.

The Punjab government is also educating growers how to save their crop from cotton leaf curl virus, whitefly and other pest attacks.

Cotton analyst Naseem Usman said the steps being taken by both the provincial governments are encouraging and raised hopes that the next cotton crop would be higher.

The Karachi Cotton Association kept its spot rates unchanged. Major deals on the ready counter were: 500 bales from Samundri at Rs6,400 per maund (around 37 kilograms) and 600 bales from Rahimyar Khan at Rs7,000.

THE FOLLOWING ARE THE KCA OFFICIAL SPOT RATES FOR 2015-16 FOR LOCAL DEALINGS IN PAK RUPEES FOR BASE GRADE 3 STAPLE LENGTH 1-1/32" MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL			
Rate For	Ex-Gin Price	Upcountry Expenses	Spot Rate Ex-Karachi
37.324 Kgs Equivalent	6,700	135	6,835
40 Kgs	7,180	145	7,325

DAWN
Tuesday, 26th April, 2017

MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	104.50	104.70	105.90	106.10
UK	133.67	133.92	135.00	136.50
Euro	113.32	113.54	114.40	115.90
S.Arabia	27.86	27.92	28.10	28.30
UAE	28.45	28.51	28.80	29.00
Japan	0.9498	0.9516	0.9494	0.9694

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

	Bid	Offer
Three months	5.89	6.14
Six months	5.91	6.16
One year	5.97	6.47

LIBOR

Special US dollar bonds for April 24

Three months	1.16650 %
Six months	1.42072 %

THE NEWS

Tuesday, 26th April, 2017

Pakistan's external account gap to reach $11.5bln in three years

ISLAMABAD: Pakistan's external account financing gap is likely to touch $11.5 billion by 2019/20 and the government may resort to the International Monetary Fund (IMF) to avert possible payment default on foreign obligations, economist Ashfaque Hassan Khan said on Tuesday.

Khan forecast that the financing gap would reach $6 billion in 2016/17, $6.5 billion in 2017/18, $10.1 billion in 2018/19 and $11.5 billion in 2019/20. "Pakistan would not have other option but to seek fresh bailout package from the IMF," he said, addressing a pre-budget seminar, organised by Comsats Institute of Information and Technology.

Khan, former advisor to the finance ministry alleged that the finance minister Ishaq Dar brought changes into the definition of debt through the last year's finance bill. The Fiscal Responsibility and Debt Limitation Act (FRDLA) 2016 excluded certain headings from the domain of the debt, which is inconsistent with the definition, being used by the State Bank of Pakistan as well as the IMF and the World Bank.

He projected that the country's external debt would reach $110 billion by 2019/20 or 365 percent of exports, $97.8 billion in 2018/19 and $88.5 billion in 2017/18. With a changed definition in accordance with the FRDLA 2016, Khan said the external debt stood at $57.5 billion, while it amounted to $73 billion in accordance with the previous and 'acceptable' definition.

Hafiz Pasha, ex-finance minister, said the optimism about the economy is not correct as the economic situation would be again heading back to the level of 2013 when the Pakistan Muslim League (Nawaz) took reins of power. The external debt touched $73 billion and the current account deficit is widening, resulting into drawdown of foreign currency reserves, Pasha added.

On China-Pakistan Economic Corridor (CPEC), he said that there is no need to discriminate against local companies by providing incentives to Chinese companies. Pakistan's exports to China slumped 45 percent in the last three years, while imports increased 35 percent because of the faulty trade regime, Pasha said. India is the ultimate beneficiary of wrong policy prescription.

He further said agriculture sector has largely been ignored. The PML-N government announced agriculture package of Rs341 billion, but IMF stopped its implementation. Shahid Hafiz Kardar, ex-governor of State Bank of Pakistan said the country's exports are declining and the current account deficit jumped to $6.5 billion during the first nine months of the current fiscal against $4.9 billion a year ago. The widening current account deficit resulted into drawdown of foreign exchange reserves of $1.8 billion.

Kardar said the fragmented policies are negatively affecting exports and the IMF program caused more damage to the country's export earnings because the cost of input for exports has gone up manifold.

The overvalued exchange rate also caused damage to exports, he said. Pakistani rupee appreciated one percent but currencies of many comparable economies devalued. Indian currency depreciated 30 percent, Malaysian 38 percent and Indonesian 38 percent.

Sakib Sherani, a renowned economist said only 0.24 percent of the country's population are filing their income tax returns. "Only one in 400 individuals files their returns," Sherani said. "The personal income tax contributes one percent of GDP in Pakistan, while in India it is 2.7 percent of GDP."

He further said the development funding to the tune of Rs22 billion resulted into achievement of one percent growth in 2004. The same percentage point of growth would now require Rs115 to Rs120 billion in development spending.

THE NEWS
Tuesday, 26th April, 2017

Bhikki power plant's trial run continues even after inauguration

LAHORE: Bhikki electricity generation plant, which began producing 720 megawatts in the mid of this month, saw its production tumbling half due to some glitches, sources said on Tuesday, but hoping the restoration in 1st week of May.

On April 19, Prime Minister Nawaz Sharif inaugurated the first phase of RLNG- (regasified liquefied natural gas) based Bhikki thermal power plant, near Sheikhupura.

The sources said the plant's present output stands at 350MW against 720MW and it is likely that it would formally resume full power generation capacity of the first phase in couple of weeks. The Bhikki facility will be the country's first power plant to run on imported supplies of LNG. It is projected to generate up to 1,180 MW – the equivalent power needed to supply approximately 2.5 million Pakistani homes – once it starts combined cycle operations later this year.

A spokesman of the ministry of water and power confirmed that Bhikki is partially producing power following the closure of one of the turbines.

An information officer associated with the minister of water and power said the trial run of first phase of Bhikki plant continued and it would become functional by the first week of May. Its turbine could not start production due to prolonged test as one of the newly installed turbines faltered before and after its formal inauguration.

The trial run of the first phase was initially expected to be completed in March, but despite several attempts the first two turbines of Bhikki RLNG-based thermal plant could not be connected to national grid.

A senior official of the power transmission company said Bhikki had to be connected to system as power demand soared from mid-April. "And, it was done despite the fact that trial run of the 1st phase could not be completed." Punjab chief minister, who always takes pride in conceiving and executing this project on fast-track, announced in early February that the prime minister would inaugurate the newly-installed turbine in March. However, there have been some glitches that lead to non-working of new turbines following the successive trappings. Resultantly, the turbines of 1st phase could not be run on consistent basis and failed to fully connect with the national grid even today, sources said.

Punjab chief minister had also announced various dates, on several occasions, regarding the completion of the first phase. On April 15, Punjab chief minister, speaking in Faisalabad, said the plant would start generating electricity from next week. Earlier, addressing members of provincial cabinet on April 4, he said gas-based Bhikki project would start producing 750MW by mid of the current month. State minister for water and power Abid Sher Ali, on April 11, told media that RLNG-based Bhikki power plant was generating 596MW of electricity. He said the plant's production would shortly increase to 800MW. Despite all these tall claims, the trial-run lingers on and yet to be fully completed.

In spite of the delays and successive tripping of turbines, the completion of 1st phase has been touted as a success story as it is said to be accomplished less than 18 months after the large turnkey project was first announced. It is part of government's plan to increase power generation by 10,000mw before March, 2018 with a view to ending outages in the country.

THE NEWS
Tuesday, 26th April, 2017

Institutions, HR development urged for sustainable growth

KARACHI: Government should develop institutions and human resources to ensure sustainable economic growth, said renowned economist Ishrat Husain said on Tuesday.

Husain, former governor of State Bank of Pakistan, said economists in early days thought that capital and land were the only means of economic development, but as time passed they realised that there were other things to be understood as well.

Pakistan's economy enjoyed the fastest growth rate of six percent – much above Malaysia and Indonesia, he said, giving a lecture on institutions for growth, equity and security organized by the faculty of Social Sciences of University of Karachi.

But, he added that India's economy outpaced Pakistan's growth by 1994 and in 2007 Bangladesh outclassed Pakistan's yearly economic growth rate. Pakistan's growth came down to three to four percent a year as compared to India's six to seven percent.

Likewise, Pakistan International Airlines (PIA) that built several airlines from scratch around the world has now gone into crisis, said Husain, who's served the World Bank as an economist. He said PIA had seen only two or three managing directors in a long span between 1955 and 1990, but the airline is now seeing fast reshuffling at its key position.

Similarly, he added that Sindh government has seen 12 education secretaries in only few years and this is leading to policy change and inconsistency. Husain said jobs must be given on the basis of commission and merit instead of on political consideration. Civil servants must be given proper training and not just lectures so that they could actually know how to manage resources.

Government should have performance indicators as annual confidential report doesn't really justify an employee's performance. Currently, government institutions have promotional pattern based on time. Promotions should be awarded according to the performance of employees and not just on the basis of seniority, he added.

"Compensations and benefits are the major factors that must be given to employees so that corruption should be curbed and transparency be promoted." Husain said merit was killed and job security waned during the first government of Pakistan Peoples Party, which caused disappointments among working class.

"The people with political backgrounds were chosen for jobs and they served their own purposes." Ajmal Khan, vice chancellor of University of Karachi said everyone has been saying for the last four to five decades that agriculture is important to Pakistan's economy. But, if agriculture sector is so important, why isn't US giving importance to the sector.

"We are using abundant water to grow rice but that massive quantity of water is causing water logging and hence damage to fertile land," Khan said. "Water will be as precious as the oil in the upcoming years and we must save the amount of water we waste for the future. We need to shift this agricultural economy to educational/knowledge-based economy," he said.

KU Vice Chancellor said China sent different students to US for PhD on the government's funds – which brought about a drastic change in Chinese economic development.

He said investing in education can't give an immediate result but it does give a long lasting, long-term fruit. "If the government invests in the University of Karachi, we can be able to turn up massive developments in just 20 to 30 years."

Professor Ahmed Qadri, dean faculty of social sciences called for reconciliation for growth. "We must exhibit positive traits and vibes in order to take economic growth to an irretrievable positive growth," Qadri said. "We all need to come towards an identical point in order to get such growth."

THE NEWS
Tuesday, 26th April, 2017

Cotton unchanged

Karachi

Dull trading continued at the Karachi Cotton Exchange on Tuesday, while spot rates remained unchanged.

The spot rates remained unchanged at Rs6,700/maund (37.324kg) and Rs7,180/40kg. Ex-Karachi rates also stood firm at Rs6,835/maund and Rs7,325/40kg after an addition of Rs135 and Rs145 as upcountry expenses, respectively. An analyst said dull activity continued, as buyers still remained away from the market after yarn and fabric sales were not picking up in the international markets. Naseem Usman, chairman of the Karachi Cotton Brokers Association, predicted better cotton outlook ahead, as the Sindh government banned paddy in Sanghar, a cotton growing district, this year.

KCE recorded only two transactions of 1,100 bales in between Rs6,400 to Rs7,000/maund. Samundri's 500 bales were sold at Rs6,400/maund and 600 bales of Rahimyar Khan exchanged hands at Rs7,000/maund.

The Nation on Web

The Nation

Tuesday, 26th April, 2017

Govt eyes 6.2pc growth rate in next financial year

Budget 2017-18, | Defence budget likely to be set at Rs950b as against Rs860b of previous year

Imran Ali Kundi

ISLAMABAD - The government is likely to fix the country's GDP growth at 6.2 percent and budget deficit at 4 percent for the next financial year 2017-18.

"The broad contours of the budget are almost ready, which will be presented to the federal cabinet for approval after the return of Finance Minister Ishaq Dar from the United States," said an official of the Ministry of Finance. The government had already decided to announce the budget for financial year 2017-18 on May 26. The announcement of the budget had been pulled earlier because Ramazan was expected to begin on May 28.

Sharing some of the initial estimates, he said that the government is considering fixing economic growth target at 6 or 6.2 percent for the upcoming fiscal year as against 5.7 percent target of the ongoing year. Similarly, the government is contemplating to fix budget deficit at 4 percent of the GDP (Rs1.44 trillion) as against revised target of 4.1 percent of the GDP of the outgoing year.

The government would set Federal Board of Revenue (FBR)'s tax collection target at Rs4 trillion, which would be almost Rs400 billion higher than the target of the current fiscal year. The government had kept tax collection target at Rs3,621 billion for the year 2016-17. However, it expects to collect around Rs3,500 billion after FBR faced mammoth shortfall of Rs168 billion during nine months (July-March) due to lower taxes on oil products and incentive packages for export oriented sectors.

The government is also planning to keep around Rs850 billion for the Public Sector Development Programme (PSDP) for the next financial year. However, Prime Minister Nawaz Sharif would take final decision on development projects. The government is likely to earmark major chunk for energy and infrastructure projects ahead of the elections, which would be held in next year 2018. Meanwhile, inflation rate could be fixed at 6 percent for the year 2017-18.

The government is likely to set Defence budget at Rs950 billion for next fiscal year as against Rs860 billion of the previous year. The country's defence budget had increased by 10-11 percent in the last few years.

Meanwhile, the FBR has also made some of the taxation proposals for the next year. The government would target non-tax filers in the budget to broaden the tax base of the country. The government would enhance the withholding taxes (WHTs) for non-filers of income tax returns in the next fiscal year. The FBR has also proposed to enhance the withholding tax on banking transactions from 0.4 percent to 0.6 percent in the budget. Similarly, the government is expected to exempt withholding tax for up to Rs100,000 transactions in the next budget. Currently, withholding tax is imposed on over Rs 50,000 bank transactions.

The government has also decided to continue with imposition of super tax on affluent and rich individuals, association of persons and companies earning income above Rs500 million in next financial year to rehabilitate the temporarily displace persons (TDPs) of the Zarb-e-Azb military operation. The government had imposed a temporary 4 percent super tax on all banks and 3 percent on other companies and individuals with an annual income of over Rs500 million.