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Power sector liabilities:

Fresh sovereign guarantees approved by ECC

ZAHEER ABBASI

The Economic Co-ordination Committee (ECC) of the Cabinet has approved issuance of Rs 110 billion fresh sovereign guarantees to clear the power sector liabilities and extended Rs 82 billion Syndicated Term Finance Facilities. On four different proposals of Ministry of Water and Power, the ECC meeting presided over by Finance Minister Ishaq Dar approved issuance of new sovereign guarantees of Syndicated Term Finance Facilities for Power Holding (Private) Limited in order to clear existing liabilities. The Ministry of Finance will provide government guarantee for the repayment of loan as well as interest for the fresh facilities.

In all four cases, the principal installment payments will be deferred for a further period of 2 years from the date of execution of fresh facilities. The ECC approved a proposal of the Ministry of Water and Power regarding an existing Term Finance Facility for Power Holding (Private) Limited, to restructure the facility by extending the tenure of the facility from 7 to 10 years, including extension in grace period from 3 to 6 years.

The ECC also approved the Standard Implementation Agreement (IA) (with amendments) for transmission line projects under Policy Framework for Private Sector Transmission Line Projects, 2015 and TSA for HVDC Transmission Project (660 kV Matiari-Lahore). Sources said that in the summary Water and Power Ministry also stated that the same proposal for seeking approval of the ECC on Standard IA for transmission line project 2015 and project specific transmission services agreement was submitted on June 29. 2017. However, the summary was deferred and Water and Power Ministry was directed to review IA for private sector transmission line projects 2015 and project specific transmission services agreement, holistically, in consultation with Law Division, FBR and Nepra and then resubmit the proposal for consideration of the ECC after reaching a consensus.

A series of meetings have taken place between the representatives of Water and Power Ministry and FBR. After deliberation and discussion on all issues pointed out by the FBR earlier a consensus was developed between all stakeholders and all issues were resolved. The ECC was stated that Law Division has already given its concurrence on these agreements subject to approval of the PPIB Board while NEPRA also endorsed the terms and conditions as stipulated in IAs and Transmission Service Agreements (TSA) to be signed with the Independent Transmission Company (TC) subject to commitment that these should be consistent to NEPRA tariff determination and special purposes transmission licenses terms.

Water and Power Ministry stated that as per transmission line policy 2015, the ITC is liable to withhold and pay to the government as full and final income tax liability of its contractors @6.5 percent and 7 percent tax from corporate and non-corporate contractors, respectively. However, present applicable tax rates under Income Tax Ordinance 2001 have been increased and it was agreed between FBR and Ministry of Water and Power that rates of withholding tax for corporate and non-corporate contractors should be as per Income Tax Ordinance, 2001.

As per Policy the reduced custom duly of 5 percent rate on local manufacturing appearing in part 1 of schedule of Customs Act, 1969 should not be applicable for the period of three years on import of machinery and equipment and other capital goods imported for new transmission lines under the valid contract (s) or letter of credits and total C&F value of such imports for the Project is US$50 million or above. The FBR and Ministry of Water & Power also agreed that FBR will implement the Policy provision after ECC approval in this regard.

The policy provides that sales tax on import of machinery, equipment and other capital goods if not exempted under the Sixth Schedule of the Sales Tax Act, 1990 will be charged @5% and shall be non-adjustable/non-refundable. The FBR will issue an appropriate SRO to give effect to the aforementioned policy provision.

The ECC was requested that the Project specific TSA for HVDC Transmission Project as prepared and finalized by National Transmission and Dispatch Company (NTDC)) may be approved and Board of PPIB may be authorized to make and approve any project specific amendments required in the Standard IA during negotiations and/or prior to its execution, provided government obligations or liabilities are not increased. The ECC was also urged that that Board of PPIB and NTDC may further be authorized to make and approve any amendments in the approved Standard IA & the Project Specific TSA respectively required to comply with Nepra''s Tariff Determination, directives and/or approvals.

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Discos" consumers:
Nepra approves Rs 26 billion refund for June

MUSHTAQ GHUMMAN

The National Electric Power Regulatory Authority (Nepra) Tuesday approved Rs 26 billion refund for consumers of power Distribution Companies (Discos) by reducing tariff by Rs 2.23 per unit for June 2017 under the monthly fuel price adjustment formula. The decision was taken at a public hearing presided over by Vice Chairman, Nepra, Saif Ullah Chatha in the absence of Chairman, Brig. Tariq Saddozai (retired). Major Haroon Rashid (retired) Member Balochistan, Himayat Ullah Khan, Member Khyber Pakhtunkhwa and Syed Masood ul Hassan Naqvi Member Sindh also attended the meeting.

The representatives of the Central Power Purchasing Agency-Guaranteed (CPPA-G) and National Power Control Centre (NPCC) were available to questions raised by the Authority members. The reduction in tariff will not be applicable on K-E consumers, lifeline consumers and agriculture consumers. The CPPA-G had recommended refund of Rs 2.13 per unit to the consumers of Discos for June 2017 under monthly fuel price adjustment mechanism. However, MD, CPPA-G, Muhammad Rehan informed the Authority that Rs 952 million with respect to M/s Rousch was mentioned twice, requesting that only Rs 952 million be taken in total cost.

The reduction of Rs 25 billion in fuel cost component was due to favourable generation mix including Rs 12.2 billion on account less prices of furnace oil. This trend is witnessed in the last two months. Nepra officials informed the Authority that CPPA-G also claimed fuel cost of M/s Haveli Bahadar Shah at reference tariff of Rs 8.018 per unit in June despite the fact that the Authority approved FCC of Rs 7.7633 per unit from May 2017. Accordingly, for FCA of June 2017, FCC of Rs 7.7633 per unit has been used resulting in reduction of around Rs 20 million in total cost. The Nepra official also informed the authority that data is required to be filed within 3 days of the close of the month but received on July 14th and asked CPPA-G to provide reasons thereof.

It was also revealed that transmission losses of June 2017 were within the limits of allowed percentage of three per cent. Masood Akhtar, an official of Nepra, in his comments said that the Ministry of Water and Power is giving priority to public sector gas-fired power plants over most efficient IPPs like Saif, Saphire and Orient. Ilyas Ahmad of NPCC agreed with Nepra official, saying that NPCC has written letters to the concerned Ministries that priority should be given to efficient plants at the time of gas allocation.

However, MD CPPA-G claimed that the two public sector power plants mentioned by the Nepra official are connected to the systems of SSGC and SNPGL and the Ministry has different viewpoint on this issue, adding that gas availability in the two companies and their technical constraints are different. It was also noted that more electricity was being supplied from a small canal hydropower plant, ie, Kumhar Wala plant established by Punjab government. MD CPPA-G said that AEDB is yet to get approve its PPA from the Economic Co-ordination Committee (ECC) of the Cabinet.

The indexation of coal-fired power plant in Sahiwal also came under discussion. It was stated that more than 1100 MW electricity was supplied from Sahiwal during Ramazan. Nepra also raised the issue of energy being supplied from Chashma nuclear power plant since December 2016. The project was granted provisional tariff for the plant and since the Authority has taken a decision with respect to tariff of nuclear power plant, its exact indexation should be included in the petition.

According to CPPA-G petition, total generation in June 2017 was 11,458m23 GWh, of which hydel generation was 3,490 GWh(30.4 per cent of total generation), , coal 652.2 GWh, HSD 155.4 GWh, RFO 2,559.9 GWh, gas, 1,111.8 GWh, RLNG,1,407 GWh, nuclear 657 GWh, import from Iran 53.9 GWh, mixed 26.6 GWh, wind,195.6 GWh, baggasse 94 GWh, solar, 54.2 GWh. Power sale to IPPs was 13.95 GWh whereas transmission losses were recorded at 233.5 GWh, total cost of which was Rs 220.9 million. The net delivered electricity in June 2017 was 11,210.8 GWh, cost of which has been calculated at Rs 52.627 billion.

In June , per unit cost of electricity generated on coal has been calculated at Rs 4.3 per unit, HSD Rs 14.35 per unit, RFO Rs 9.49 per unit, gas 4.25 per unit, RLNG Rs 7.45 per unit, nuclear 1.03 per unit, import Iran Rs 10.63 per unit, mixed, Rs 6.9775 per unit, baggasse, Rs 6.17 per unit. The total per unit cost of electricity generated has been calculated at Rs 4.4374 per unit and after deduction of sale cost of power to IPPs and transmission losses, the total per unit cost was 4.6943 against reference fuel charges of Rs 6.8283/kWh.

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SBP eases payment systems

RIZWAN BHATTI

The State Bank of Pakistan (SBP) has issued Payment Systems Designation Framework for smooth operations and better risk management of the payment systems. The State Bank, under the Payment Systems and Electronic Fund Transfer (PS & EFT) Act 2007, is responsible for regulating the payment and settlement systems in Pakistan. The SBP, in this connection, also has powers to operate, regulate and inspect payment and settlement systems in Pakistan to promote financial and monetary stability.

Payment systems are one of the most critical financial market infrastructures that facilitate the transfer of money between the different financial institutions, whereas, Designated Payment Systems (DPS) are usually Systemically Important Payment Systems (SIPS). Any deficiency in design or disruption in operations of SIPS can adversely impact the functioning of financial markets.

According to PSD Circular No. 02 of 2017, the Section 4 of PS&EFT Act 2007 empowers the State Bank to designate a payment system by a written order if it finds it to be necessary in the public interest. Under the Act, SBP is responsible for regulating the payments and settlement systems in Pakistan.

Considering the need for the enhanced oversight of payment systems and exercise its powers under the various provisions of PS&EFT Act 2007, SBP has decided to issue Payment Systems Designation Framework. Payment systems'' designation will ensure the smooth operations and better risk management of the payment systems by Payment Systems Operators and Payment Service Providers in Pakistan.

As per the guideline, the "Designated Payment Systems" can include payment systems operated by both the State Bank of Pakistan and private entities. Designation aims at ensuring efficient management of various risks associated with the operations of DPS including but not limited to legal, credit, liquidity, settlement, operational, general business, custody, and other risks. DPS will be subject to comprehensive oversight of the operational and governance arrangements by the SBP in order to promote the smooth operation of safe and efficient payment systems.

In order to conduct an assessment of the payment system for designation, the SBP may call for reports/data, inspect the premises, equipment, machinery, apparatus, books or other documents, or accounts and transactions relating to the payment system as mentioned in Sub Section 2 of Section 4 of PS & EFT Act. The SBP is also empowered to impose penalties, in case the operator of the Designated Payment System is found in non-compliance of the regulations, rules, or standards issued by SBP from time to time. The SBP may suspend/revoke Designation of a Payment System as defined in Section 5 of the PS & EFT Act 2007.

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Saudi raises $4.53 billion in oversubscribed bond issue

RECORDER REPORT

Saudi Arabia has raised $4.53 billion from a local Islamic bond issue that was three times oversubscribed, it said Tuesday as it battles a budget deficit caused by low oil revenues. The finance ministry said orders exceeded 52 billion riyals ($13.6 billion) for its first issue of domestic sukuk bonds worth 17 billion riyals. It said the new bonds would be divided into three tranches, with maturities ranging from five to ten years.

"The strong demand for local bonds reflects the confidence of investors in the kingdom''''s issuings and confirms the strength of the Saudi economy''''s foundations," the ministry said in a statement. In April Saudi Arabia raised $9 billion in its first global Islamic bond issue, a move analysts said could ease pressure on its foreign reserves. But the largest Arab economy is suffering from a sharp slide in oil revenues since crude prices plummeted in mid-2014, forcing Riyadh to cut subsidies and delay projects.

The kingdom forecast a budget deficit of $53 billion this financial year, down slightly from last year''''s shortfall. Economic growth in Saudi Arabia is expected to hit just 0.1 percent this year, the International Monetary Fund said Tuesday, down from the 0.3 percent it projected in April. That would be the country''''s worst growth since 2009, when its economy contracted by 2.0 percent as oil revenues slumped following the global financial crisis.

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THE RUPEE: Steadier trend

RECORDER REPORT

The rupee managed to hold overnight levels against the dollar on the money market on Tuesday in the process of trading activity, dealers said. The rupee was almost unchanged in terms of the dollar for buying and selling at Rs 105.39 and Rs 105.40 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 107.30 and Rs 107.50 respectively, they said.

The rupee gained 60 paisas in relation to the euro for buying and selling at Rs 124.00 and Rs 125.00 respectively, they said.

In the second Asian trade, the dollar languished near a 13-month low against a basket of currencies on Tuesday, with traders sceptical that this week's US Federal Reserve meeting would do much to alter the greenback's recent weak trend.

The Fed is widely expected to keep interest rates unchanged at its two-day meeting that ends on Wednesday. The focus will be on any hints on whether it may raise rates again this year, and when it will begin paring its bond holdings.

Given the recent weakness in US inflation data, the market is guessing that the Fed's tone will be dovish and this seems to be weighing on the dollar, said Stephen Innes, head of trading in Asia-Pacific for OANDA in Singapore.

The dollar index, which measures the greenback against a basket of six major currencies, eased 0.1 percent to 93.916, trading within sight of Monday's 13-month low of 93.823.

The dollar was trading against the Indian rupee at Rs 64.375, the US currency was available at 4.278 in terms of the Malaysian ringgit and the greenback was at 6.749 versus the Chinese yuan.

Open Bid	Rs. 107.30
Open Offer	Rs. 107.50

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

Bid Rate	Rs. 105.39
Offer Rate	Rs. 105.41

RUPEE IN LAHORE: The Pak rupee showed strength as it recovered its earlier losses against the US dollar in the local currency market on Tuesday.

The US dollar resumed trading on a negative note following lack of buyers' interest in the currency market throughout the trading session. At the close, it declined to Rs 107.40 and Rs 107.50 on buying and selling side as compared to the overnight closing rates of Rs 107.80 and Rs 108.30 respectively, local currency dealers said.

Furthermore, the local currency appreciated on buying counter and ended at Rs 138.85 as compared to last closing trend of Rs 139.00. However, no change in its value took place on selling counter as it sustained its opening rate of Rs 139.80, they added.

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

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

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Repatriation of profit and dividend crosses $2 billion mark

RECORDER REPORT

Repatriation of profit and dividend by foreign investors crossed $2 billion mark during last fiscal year supported by improved economic activities. Economists said that the higher repatriation of profit and dividend reflects that the country''s economy is gradually improving and foreign investors are getting better margins on their investments in Pakistan. Large scale manufacturing has performed well during last fiscal year of which profitability of different sectors has increased, they added.

According to State Bank of Pakistan (SBP), the repatriation of profit and dividend maintained an upward trend during last fiscal year surging by 10 percent. Capitalizing on the government''s liberal policy, foreign investors repatriated some $ 2.019 billion on account of profit and dividend during July-June of FY17 compared to $1.912 billion in the corresponding period of last fiscal year (FY16), depicting an increase of $ 197 million.

The detailed analysis revealed that the repatriation of profit and dividend from Foreign Portfolio Investment (FPI) registered a decline of 6 percent. The repatriation of profit and dividend on account of Foreign Direct Investment (FDI) posted an increase of 14 percent. In addition, the major outflows of profit and dividend were also witnessed from the FDI and cumulatively, over 82 percent of the repatriated amount has been sent as returns on FDI.

Foreign investors transferred $ 1.734 billion on account of returns on FDI during July-June of FY17 compared to $ 1.512 billion in the corresponding period of last fiscal year (FY16). In addition, the repatriation on FPI declined by $ 24.5 million to $ 376 million. The major repatriation has been made from the financial sector, where foreign investors repatriated $ 391 million during the period under review. Food sector is second largest sector wherefrom foreign investors transferred $ 271 million on account of profit and dividend.

Similarly, $ 180 million has been sent aboard from communication sector, $ 140 million chemical sector, $ 139.9 million from oil and gas exploration, $ 166 from power sector and an amount of $116 million from transport sector during the last fiscal year.

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Pakistan relying on foreign savings for investment: UNDP

TAHIR AMIN

Pakistan is relying on foreign savings to supplement its meagre national savings for investment purposes and therefore, the investment rates are almost one half of those in India and Bangladesh, thus constraining growth, said United Nations Development Programme (UNDP).

UNDP in its latest issue of "Development Advocate Pakistan (DAP) on Financing for Development", stated that unless the real sectors are revitalized, growth would remain elusive, unemployment would rise, living standards would decline, and thus the capacity to generate resources for financing development and social protection would remain highly constrained. Pakistan''s landscape for Financing for Development (FFD) has not been robust and the macroeconomic indicators have shown little improvement.

With the previous two election years, 2007-08 and 2012-13, culminating in a serious economic crisis, Pakistan was forced to approach the International Monetary Fund (IMF) for a bail out. This renders 2017-18 as ''make or break'' years for the economy, with repercussions for the future.

The report further states that having achieved macroeconomic stability, there are two paths available-either consolidate or build upon these gains to undertake policy reforms that would help in speeding up economic growth to reach six to seven percent a year; or, fritter away these gains and pursue populist measures, appeasing powerful interest groups, backtracking on reforms and yielding to pressures. A more disconcerting feature has been the setback in Pakistan''s market share in world exports.

While there has been overall buoyancy in global markets, Pakistan has lost its share from 0.15 percent to 0.12 percent while its competitors-India and Bangladesh-have more than doubled their shares. Over the last decade, Pakistan''s exports have grown by four percent compared to 12 percent in Bangladesh and 10 percent in India, and are on a declining path for the last two years. Exports used to finance 80 percent of imports in the early 2000s, but this ratio has declined to less than 50 percent in recent years. If Pakistan is able to regain its lost market share in the world market or attain the export/GDP ratio of 10 percent only, it would be able to cut down its external borrowing requirements by at least one half and manage its external accounts without any stress.

Global commodity prices are partially responsible, but it is the loss of competitiveness because of a penal tax regime, energy shortages, difficulties in doing business, bureaucratic hassles, high import tariffs and lack of co-ordination among various government tiers and departments, that have hurt the exports.

Public sector fiscal policy, as discerned from the fiscal trends has not helped in meeting the objectives of inclusive growth, equity, social protection or environmental sustainability. It has been driven largely by short term crisis management considerations as the economic managers were faced with persistently high fiscal deficits, and resources had to be found to finance these deficits, said the report.

Pakistan''s tax capacity is 22.3 percent of GDP while it is collecting 11 percent. Sales and corporate tax rates can be brought down to provide incentives to the private sector for expansion and new investment if the tax net is widened and eligible tax payers are brought within it.

The existing database of 3.2 million potential taxpayers should be used to bring them into the net. This can be possible if the tax code is simplified, tax administration made hassle and corruption free, audit strengthened and improved, tax facilitation made tax payer centric and alternative dispute resolution put in place. UNDP further states that the planned retreat from the sale of non-strategic public enterprises has fortified the hands of those who think they can stall the process through agitation.

Privatization has been on the

agenda of every major political party. The irony is that when one party comes to power and attempts to pursue this, the opposition parties offer enormous resistance. When the opposition party takes over the reins of the government, the roles are reversed. Meanwhile, the damage to the economy gets worse with the passage of time.

Outstanding debts and liabilities already amount to more than two percent of GDP and will continue to accumulate further if left unattended. Although investments in new energy generation projects under CPEC would alleviate the demand-supply gap, but unless inefficiencies of the DISCOs are set right, fiscal losses would continue unabated. Privatization or restructuring of these companies therefore, becomes a policy imperative.

Higher investment, inter alia, with sound policies and better governance would lead to larger output, incomes and employment, thus raising tax and non-tax revenues for the government.

Repatriation of profits and dividends, external debt servicing on existing loans and disappearance of Coalition Support Funds inflows would amplify the deficit. Therefore, reliance has to be placed on boosting exports of goods and services and inflows of FDIs. On the expenditure side, the 18th amendment to the Constitution and the 7th National Finance Commission award has exacerbated the difficulties in maintaining fiscal discipline.

While the federal government is saddled with inflexible expenditure items such as debt servicing, defence, pensions and salaries, it is assigned only 40 percent of taxable revenues to take care of this huge expenditure. The capacity of the provinces to spend is impaired because they have concentrated all administrative and financial authority in their hands, refused to devolve functions of the delivery of basic public services and refused to allocate sufficient resources and powers to the district governments.

Khyber Pakhtunkhwa (KP) appears to be the exception to this generalization as their Local Government Law has empowered the local governments. Punjab is making headway in education but it is driven by the dynamic personality of the Chief Minister and is not firmly rooted in institutional settings. Punjab has been most reluctant in devolving powers to the local governments and even the district education and health authorities are placed directly under the provincial departments.

The existing laws pertaining to local governments, particularly in Sindh and Punjab, need to be revised to devolve authority and administrative powers to the district governments along the lines of the rescinded 2001 Local Government Ordinance. The report states that agriculture, that provides livelihood to 45 percent of the population and has the highest proportion of poor dependents on it, is in doldrums both due to fall in international commodity prices, and domestic policy and institutional constraints.

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Gas load-shedding:

Textile sector on the verge of collapse: PHMA

RECORDER REPORT

Sudden and unscheduled load-shedding of gas has pushed the value added textile sector at the verge of collapse and in this connection the government must take immediate steps to ensure gas supply with proper pressure in order to cater to the needs of the industry.

Commenting on the loadshedding of gas during the hottest season of summer, Muhammad Amjad Khwaja Senior Vice Chairman Pakistan Hosiery Manufacturers and Exporters Association (PHMA) North Zone here on Tuesday said that quota of 300 MMCFD has been allocated for the domestic and industrial sector of Faisalabad, out of it, 150 MMCFD is for domestic consumers and remaining for the industrial sector but at present Faisalabad is getting only 115 MMCFD gas which is 60 percent less than its total allocated quota. He further said that government gives priority to domestic consumers as and when gas shortage is surfaced. He said that the value added textile sector that earns precious foreign exchange in addition to providing millions of jobs opportunities is totally ignored despite of its economic importance.

He further said that low pressure has actually crippled the value added textile sector as they can neither run their boilers nor fabric finishing machines. He said that they can arrange alternative fuel for the boilers but the fabric finishing machines are specially designed for gas and cannot be run on any other fuel. He said that the shortage of gas has reduced their productivity to almost zero and they are unable to fulfill the export orders.

He further said that SNGPL is getting 35 percent gas from its own system while remaining shortage of 65 percent is being fulfilled from RLNG. He told that out of this gas 50 percent is provided to IPP's and fertilizer sector to fulfill the demand of electricity and fertilizers. The remaining 50 percent is being injected for domestic and industrial consumer and out of these; the government gives priority to the domestic consumers. He said that the shortage of gas has pushed the value added textile sector in deep crisis which will also foment unemployment in the country. He stressed upon the government to supply gas with sufficient pressure so that the value added sector could run its boiler and fabric finishing machines. He warned that if the gas shortage continued, it will further widened trade deficit while the unemployment will further deteriorate the law and order situation in the country. He said that government and ministry of petroleum and gas should take immediate remedial measures to fulfill the minimum demand of value added textile sector to save national economy from the total collapse.

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Prime Minister's Incentive Package:

PTEA voices concern over non-release of funds

RECORDER REPORT

Pakistan Textile Exporters Association (PTEA) has expressed grave concerns over non-release of funds for payment of incentives announced under Prime Minister's package refuting all the efforts to boost the export. Despite allocation of Rs 4 billion in budget, no funds have been released so far; whereas Duty Drawback of Taxes claims of Rs 10 billion have already been submitted at the State Bank of Pakistan.

Commenting over the prevailing situation, here on Tuesday, Chairman Pakistan Textile Exporters Association has said that only Rs 4 billion were earmarked out of incentives announced under Prime Minister's Rs 180 billion export package in federal budget; besides, holding drawbacks, sales tax and custom rebate refund claims of Rs 200 billion, creating serious liquidity crunch for the textile industry, negatively affecting production capacity and resulting in ultimate decline in the exports. Unfortunately, no funds have been released under this budget allocation; whereas amount of DLTL claims submitted for payment has reached Rs 10 billion adding further 6 billion each month, he added. Textile industry contributes 8 percent of national GDP and has remained a low priority area for the policy makers and the sector has not been given due importance. Resultantly, a negative growth of 1.63 percent has been witnessed in exports in July to June 2016-17 as compared to previous year which reflects non-seriousness of the Government towards the largest manufacturing industry.

Comparing textile exports under the Prime Minister's export package, he elaborated that during first half (July-December) of outgoing fiscal, textile exports were USD 6.156 billion; whereas after announcement of PM's export package, textile exports during second half (January-June) remained USD 6.295 billion with an increase of 2.26 percent only. Results show that release of insufficient funds for the incentives restricts the required growth, he claimed. Highlighting the core issue of severe liquidity crunch for textile exporters, PTEA Chairman said that finance minister Ishaq Dar had announced while delivering budget speech that all pending sales tax refunds, Refund Payment Orders (RPOs), have been sanctioned by April 30, 2017 shall be cleared till August 14, 2017. Despite making payment, a large number of RPO's have been rolled back considering unnecessary objections.

Initially, it was promised that rolled back RPO's will be processed within 30 days but even after lapse of four months, the matter is still unresolved and textile exporters are still deprived of their basic working capital. Referring to the previous budget speeches, he said that Finance Minister each time made announcement for payment of outstanding refunds of exporters but no funds were released and situation remained unresolved. In Budget 2014-15, Rs 6 billion were allocated under textile policy but released only Rs 4.84 billion. Likewise, in 2015-16 budget, Rs 6 billion were allocated and in 2016-17 another Rs 6 billion were allocated but were never released.

PTEA's Vice Chairman Muhammad Naeem was of the view that due to inordinate delays in payment of refunds, the problems of exporters have multiplied. No practical steps and measures have been taken to decrease the manufacturing cost. Higher production cost, delays in refunds and higher energy tariffs are the main reasons of drop in exports, he added. He stressed for immediate payment of all outstanding refunds as undue delay in release of huge funds that runs into billions had triggered serious liquidity crunch for cash starved textile exporters and manufacturers that lead to reduction of industrial activities. Government should pay all outstanding refunds in accordance with its commitments. He demanded that the Government should immediately release budget allocated for payments of Duty Drawback of Taxes claims under Prime Minister's package to give textile exports a quantum jump.

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Strong demand pushes cotton rates higher

RECORDER REPORT

Strong demand pushed the rates higher on the cotton market on Tuesday in the process of trading activity, dealers said. The official spot rate was unchanged at Rs 6350, they said. In the ready session over 4000 bales of cotton changed hands between Rs 6275 and Rs 6550, they said.

In Sindh, seed cotton rates were at Rs 2500-3000 per 40 kg, they said. In the Punjab, phutti prices were available at Rs 2900-3250 per 40 kg, they said. The mills and spinners showed interest in fresh buying of cotton despite the fact that arrivals of seed cotton improved from Sindh and Punjab, cotton analyst, Naseem Usman said. Some leading buyers were trying to buy fine quality as much as they can, but the ginners were not ready to sell in bulk in anticipation of increase in rates. In spite, the fact heavy monsoon rains showed no damage of crop had been made, other experts said.

According to the reports: China will prepare an additional batch of 410,000 tonnes of cotton for its daily state auctions, industry website Cncotton.com reported on Monday, lending weight to expectations that state sales would be extended to ease tight supplies. Chinese cotton futures fell more than 2 percent by the end of Monday trading to 15,015 yuan ($2,225) per tonne on talk that the state planner had discussed an extension to state reserve sales at a Friday meeting. Adds Reuters: ICE cotton futures edged slightly lower on Monday as speculative funds continued to liquidate their bullish positions in the natural fibre amid favourable rains in the US cotton regions. The December cotton contract on ICE Futures settled down 0.13 cent, or 0.19 percent, at 68.29 cents per lb. It traded within a range of 67.84 and 68.9 cents a lb. The speculators reduced their bullish stance in cotton by 5,761 contracts to 15,060 contracts, US Commodity Futures Trading Commission data showed on Friday. Since late May, they have been unwinding their net long position in the commodity to the smallest since April 2016.

The following deals reported: 1000 bales of cotton from Shahdadpur at Rs 6275/6350, 1000 bales from Tando Adam at Rs 6325/6350, 400 bales from Sinjoro at Rs 6350, 800 bales from Sanghar at Rs 6350, 200 bales from Burewala at Rs 6500, 400 bales from Chichawatni at Rs 6550 and 400 bales from Vehari at Rs 6550, 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 24.07.2017	Difference Ex-Karachi in Rupees
37.324 Kgs Equivalent	6,350	135	**6,485**	**6,485**	NIL
40 Kgs	6,805	145	**6.950**	**6.950**	NIL

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ICE cotton moves higher on drop in crop condition

RECORDER REPORT

ICE cotton futures edged up on Tuesday after a drop in crop condition in the United States. Cotton contracts for December settled up 0.54 cent, or 0.79 percent, at 68.83 cents per lb. It traded within a range of 68.29 and 68.97 cents a lb. The US Department of Agriculture's weekly crop progress report on Monday showed 55 percent of the crop was in good or excellent condition against 60 percent a week ago.

"The report shows that the crop remains a bit late in developing," INTL FCStone analyst Andy Ryan wrote in a note. "There was a large jump in the amount of the Texas crop that is in very poor condition, as it moved from only 1 percent to 4 percent. This could be a sign that abandonment is growing in the state with the largest dryland crop." Speculators reduced their bullish stance in cotton by 5,761 contracts to 15,060 contracts, US Commodity Futures Trading Commission data showed on Friday. Since late May, they have been unwinding their net long position in the commodity to the smallest since April 2016.

"Although the speculators have fallen out of love with cotton, we believe that cotton prices under 70.00 represent value going forward," Ryan said. Total futures market volume rose by 14 to 13,072 lots. Data showed total open interest fell 160 to 215,821 contracts in the previous session. Certificated cotton stocks deliverable as of July 24 totalled 42,307 480-lb bales, down from 43,716 in the previous session.

New York cotton

RECORDER REPORT

The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
Oct'17	69.47	69.47	69.47	69.55	14:20 Jul 25	69.55	0.55	4	69.00
Dec'17	68.48	68.97	68.29	68.83	14:20 Jul 25	68.83	0.54	8829	68.29
Mar'18	68.24	68.67	68.24	68.56	14:20 Jul 25	68.56	0.51	3498	68.05

BUSINESS RECORDER
Wednesday, 26th July, 2017

GDP growth projected to slow down

RECORDER REPORT

According to the latest International Monetary Fund (IMF) report titled "World Economic Outlook" growth rate in the economies of the Middle East, North Africa and Pakistan would slow down considerably in the current year before recovering in 2018. The reason: a slowdown in activity in oil exporting countries. In spite of threats to globalization posed by the Trump administration that is proactively seeking to ensure balanced trade between the US and individual countries/trading blocs growth rate of individual countries remains inextricably linked to the global growth rate in general and the growth rate in a particular country's major trading partners as well as source of remittances. Pakistan as a case in point is heavily dependent on remittances from the oil exporting countries with Saudi Arabia and the United Arab Emirates together accounting for 7.2 billion dollar inflows in July-March 2016-17, an amount which manifests a decline from the 7.55 billion dollars remitted from these two countries during the comparable period of the year before. Bahrain, Kuwait and Qatar as the source of remittance income accounted for another 1.13 billion dollars in July-March 2016-17 reflecting a slight decline from the 1.17 billion dollars registered during the comparable period of a year before. In effect, around 62 percent of Pakistan's remittance income is sourced to oil exporting countries and is considered critical in providing support to the current account deficit, especially during recent years with exports declining, imports rising and heavier than ever reliance on borrowing to meet the deficit.

Data suggests that the decline in the growth of oil exporting countries has begun to negatively impact on their need to hire foreign workers (including Pakistani workers) which, in turn, would slow down the growth rate of all those countries with significant remittances sourced to them. In this context, the growth rate projected at 6 percent for the current fiscal year by Finance Minister Ishaq Dar in the budget documents appears to be over-optimistic on two counts. One relating to the decline in the growth rate of oil exporting countries and another to the likely impact of lower growth on the government's capacity to generate the budgeted 17.2 percent of GDP as tax revenue which, undoubtedly, would have implications on funding development projects and therefore on the growth rate itself.

India and Bangladesh both rely on remittance income too but the IMF has not identified them as countries which will suffer a considerable slowdown in growth due to a decline in the growth of oil exporting countries - India's total remittance income was in excess of 70 billion dollars in 2016 with oil exporting countries accounting for more than 30 billion dollars while Bangladesh accounted for 15 billion dollar remittance income. The reason Pakistan is in a worse situation as indicated in the World Bank estimate based on IMF balance of payments data, the World Bank and OECD GDP data is as follows: India's remittance income was 2.7 percent of GDP in 2016, Bangladesh's 6.1 percent while Pakistan's was 6.9 percent of GDP. Bangladesh reduced its reliance on remittances from the 2012 figure of 10.58 percent of GDP while Pakistan increased its reliance from 2012's figure of 6.2 percent. It is relevant to note that India and Pakistan had almost the same amount of remittance as a percentage of GDP in 2008 - at 4.1 percent.

In 2013, the last year in the tenure of the PPP-led coalition government the remittance to GDP percentage was 6.3 percent which rose to 7 percent in 2014, 7.8 percent in 2015 and declined to 6.9 percent in 2016. The question as to how the government can take effective measures to override the negative impact on growth due to the slowdown in the growth rate of oil exporting countries is therefore simple: there is a need to reduce reliance on remittances as a percentage of GDP by fuelling domestic output. That unfortunately remains susceptible to energy shortages, an overvalued rupee, heavy smuggling across our porous borders which reduce domestic sales, the government's ever-rising current expenditure as opposed to development expenditure and heavy reliance on borrowing by the government.

Wednesday, 26th July, 2017

Profit repatriation rose to $2.1bn in 2016-17

Shahid Iqbal

KARACHI: Foreign companies operating in Pakistan sent abroad profits and dividends amounting to $2.1 billion in 2016-17, putting additional burden on the economy that already faces a current account deficit of over $12bn.

Profit repatriation has been increasing every year. The outflow of reverse remittances was close to the inflow of foreign direct investment (FDI) in 2016-17.

Although FDI in the last fiscal year rose to $2.4bn, it was still the lowest as far as regional countries are concerned. FDI was negligible compared to those recorded by neighbouring India and China over the same period.

The State Bank of Pakistan (SBP) reported on Tuesday that payments on FDI during the fiscal year rose to $1.73bn compared to $1.51bn in the preceding year.

Financial experts and economists have been warning the government to tackle the problem of increasing reverse remittances. But the government has devised no strategy so far to deal with it.

The outflow on foreign portfolio investment (FPI) declined in 2016-17 despite an overall increase in foreign investment. The SBP reported that payments on FPI fell to $376m compared to $400.5m in 2015-16.

This huge outflow has neutralised the impact of over $2.4bn of FDI. As a result, FDI failed to mitigate the effects of falling remittances and a record-high current account deficit.

In the monetary policy statement issued last Saturday, the SBP governor said the current account deficit is the biggest challenge facing the economy. The outflow of corporate profits and dividends has aggravated this problem.

The country has been facing an imbalance on many external fronts, including remittances sent by overseas Pakistanis and a massive trade deficit. The SBP's falling reserves are unable to meet these imbalances, particularly the current account deficit, but the government claims that this gap is still manageable.

The outflow of foreign exchange in terms of debt servicing is about $5bn annually. Debt servicing consumes 25pc of export earnings as proceeds of foreign sales have been declining for the last five years.

Wednesday, 26th July, 2017

Exporters demand release of withheld funds

The Newspaper's Staff Reporter

LAHORE: The Pakistan Textile Exporters Association (PTEA) has expressed concerns about the delay in the release of funds for the prime minister's incentives package for exporters.

Despite the allocation of Rs4 billion in the budget, no funds have been released so far, a statement said on Tuesday. Duty drawback claims of Rs10bn have already been submitted to the State Bank of Pakistan, it added.

The statement quoted the PTEA chairman as saying that the textile industry received little attention from policymakers. “Resultantly, a negative growth of 1.63pc was witnessed in exports in 2016-17,” it added.

Wednesday, 26th July, 2017

Active buying on cotton market

The Newspaper's Staff Reporter

KARACHI: Trading activity improved on the cotton market on Tuesday amid sustained demand from spinners, but quality constraints inhibited the volume to expand.

The current spell of rains has subsided in many parts of the country and helped improve the flow of phutti from cotton fields into ginneries. Still in many areas, rain is still hindering the flow.

However, the forecast of more rains is disturbing for growers. So far, the cotton crop has remained safe and no damage has been reported.

According to reports, some ginning units have started operations in Punjab which is going to improve the availability of quality cotton. It is also encouraging that there is better off-take of cotton yarn and spinners are eager to build up their stocks. However, quality constraint kept spinners sceptical and cautious.

Phutti prices, meanwhile, remained under pressure and were quoted between Rs2,400 to Rs3,000 per 40 kg for Sindh variety and Rs2,900 to Rs3,250 for Punjab quality.

Leading international cotton markets were steady on encouraging reports of higher cotton production and consumption this year.

The Karachi Cotton Association (KCA) kept its spot rates at overnight level.

The following deals were reported to have changed hands on the ready counter: 1,000 bales, Shahdadpur, at Rs6,275 to Rs6,350; 1,000 bales, Tando Adam, at Rs6,325 to Rs6,350; 400 bales, Sinjoro, at Rs6,350; 800 bales, Sanghar, at Rs6,350; 200 bales, Burewala, at Rs6,500; 400 bales, Chichawatni, at Rs6,550; and 400 bales, Vehari, at Rs6,550.

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	**6,350**	**135**	**6,885**
40 Kgs	**6,805**	**145**	**6,950**

DAWN
Wednesday, 26th July, 2017

MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	105.35	105.50	107.25	107.55
UK	137.05	137.31	139.00	140.75
Euro	122.92	123.15	124.75	125.95
S.Arabia	28.08	28.13	28.35	28.55
UAE	28.67	28.72	29.30	29.55
Japan	0.9492	0.9510	0.9300	0.9600

*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	5.95	6.45

LIBOR

Special US dollar bonds for July 22

Three months	1.31444 %
Six months	1.45306 %

THE NEWS
Wednesday, 26th July, 2017

Govt secures funds from CDNS dormant accounts to cut fiscal deficit

ISLAMABAD: Government has wringed Rs18 billion from dormant accounts of its Central Directorate of National Savings (CDNS) to include the amount into nontax revenue in a bid to cut the tally of fiscal deficit for the last fiscal year, sources said on Tuesday.

Initially, the sources said the amount lying into dormant accounts of CDNS stood at Rs24 billion, including principal and mark-up piled up during the last several years. Government published advertisements into national dailies and subsequently the claimants came forward to claim Rs6 billion. Unclaimed amounts, therefore, came down to Rs18 billion.

Economists wondered that how government could claim unclaimed amount as nontax revenue. The government is making last-ditch efforts to reduce the budget deficit in order to demonstrate that fiscal discipline was the top most priority even after the expiry of International Monetary Fund-sponsored programme.

One top official told The News that no violation was committed on this account as all the formalities and procedures were followed for treating the amount of Rs18 billion as nontax revenue receipts.

The official said the State Bank of Pakistan used to follow the same procedures related to banking accounts which remained unclaimed for around 10 years. Government followed the same path and advertised in national dailies for at least two weeks for asking the account holders to contact CDNS with valid documents for getting their due amounts.

“After publications of advertisements, a couple of thousands account holders approached the CDNS from different cities and towns and obtained Rs6 billion,” the official said. Besides, he added that Rs18 billion is not so big to show reduction in budget deficit.

The country’s fiscal deficit was feared to reach 5 percent of GDP against the desired target of 4.3 percent for the last fiscal year ended June 30, 2017 after the reconciliation exercise. The budget deficit stood at 8.8 percent of GDP when the Nawaz government took reins of power in 2013. In the past four years, the deficit was brought down to less than five percent.

A CDNS official said operation of national savings scheme largely remains manual despite hefty efforts. “So such dormant accounts might be utilised for fraudulent activities,” the official said. “Keeping this in view, the government has booked this amount which could be claimed by genuine account holders or their heirs by pressing valid documents.”

The official, however, added that the directorate is going through modernisation to improve internal systems and processes for better customer services.

CDNS is an attached department of ministry of finance with more than seven million customer accounts and 376 branches nationwide. It offers saving products from three-month to 10-year tenure.

Recently, the government amended CDNS rules to mitigate the risk of misuse of dead accounts and certificates. The official said CDNS ran an aggressive awareness campaign about dead accounts/certificates in 24 leading regional and national dailies across the country for more than three weeks, and ample time was given to the investors to reactivate the accounts/certificates. During this period and by the time dead accounts/certificates were made effective, around 20 percent of the dead accounts/certificates were actually reactivated.

Earlier, a committee led by former finance secretary Abdul Wajid Rana, advised the government to set up a fund for these dormant accounts. Critics said government used to discard liabilities to show performance of fiscal account.

Recently, government sold certain responsibilities of its Security Printing Corporation for publishing currency notes and coins to State Bank of Pakistan against Rs100 billion, which was also treated nontax revenue. A cash gift from Saudi government of Rs64 billion was also put into the account of nontax revenue for the last fiscal year. The government procured two power plants with the fund.

THE NEWS
Wednesday, 26th July, 2017

Foreign firms repatriate $2.109bln in FY17

KARACHI: Repatriation of profits and dividends on foreign investment increased to $2.109 billion during the last fiscal year, up 10.30 percent from a year earlier, the central bank's data showed on Tuesday.

Foreign companies repatriated $1.912 billion worth of profits in the previous year. The surge in corporate earnings aided by an environment conducive to operate business enabled the multinational firms to transfer a decent amount of profits back home during FY17.

The repatriation of profits by foreign-invested businesses stood at $224.5 million in June 2017. The State Bank's data further showed that the capital outflows were lower than the inflow of foreign direct investment in FY17.

The country drew $2.410 billion in FDI during last year. The SBP's figures revealed that a majority of the profit outflows went to food, chemicals, automobiles, oil and gas explorations, and communications sectors.

However, the repatriation of financial business attracted less repatriated earnings during the period under review. The food sector saw a massive 104.4 percent increase in repatriated profits, sending $271.3 million home in FY17, compared with $132.7 million a year ago.

The communications businesses sent home $180.8 million against $1779.9 million from the country in FY16. The sent back profits of energy firms were $139.9 million, compared with $135.6 million during the previous year.

Analysts said though a rise in corporate repatriation of the multinationals indicated such firms continued to make significant profits, their level of investment in the country remained lower. The country is in dire need of attracting more foreign investment to maintain external stability as it has been facing decline in exports and remittances.

THE NEWS
Wednesday, 26th July, 2017

ECC approves Rs185bln loan proposals to settle circular debt

ISLAMABAD: The Economic Coordination Committee (ECC) on Thursday approved proposals of the ministry of water and power to borrow Rs185 billion from a syndicate of local banks to set off liabilities of power distribution companies.

“The ECC considered and approved four proposals of the ministry of water and power for the issuance of new sovereign guarantees by ministry of finance in respect of fresh syndicated term finance facilities for Power Holding (Private) Limited in order to set off/adjust existing facilities,” said a statement.

Finance Minister Ishaq Dar chaired the meeting.

Power ministry, in its summaries, sought permission from ECC to borrow cumulative Rs154 billion afresh to settle loans of power distribution companies.

ECC said ministry of finance will provide government guarantee for the repayment of loan as well as interest for the fresh facilities.

“In all four cases, the principal installment payments shall be deferred for a further period of 2 years from the date of execution of the fresh facilities.”

The Economic Coordination Committee also approved a proposal of the ministry of water and power, regarding an existing term finance facility for Power Holding (Private) Limited, to restructure the facility by extending the tenure of the facility from 7 years to 10 years, including extension in grace period from 3 years to 6 years.

In May 2014, Power Holding (Private) Limited signed an agreement with a consortium of local banks for Rs30.95 billion worth of loan to pay off liabilities of power distribution companies. Initially, the loan tenure was for up to five years at 6-month Karachi interbank offered rate plus two percent mark-up of per annum.

Sources said the principal installments of around five billion rupees due semi-annually could not be paid due to financial constraints.

Power ministry, in its summaries, said the power sector’s recovery improved to 93 percent in 2015 and 2016 from 88 to 89 percent earlier, while transmission and distribution losses were reduced to 17.8 percent by the end of 2016 from 19 percent in 2014, generating Rs116 billion in savings for the power sector.

Further, the ECC, after considering and deliberating upon another proposal of the ministry of water and power, approved the standard implementation agreement for transmission line projects under Policy Framework for Private Sector Transmission Line Projects 2015.

As per the same proposal, the Economic Coordination Committee also approved the transmission security analysis for high-voltage direct current transmission project of 660 kilovolts Matiari-Lahore.

THE NEWS
Wednesday, 26th July, 2017

Nepra slashes Rs2.23/unit in power tariff

ISLAMABAD: National Electric Power Regulatory Authority (Nepra) on Tuesday approved Rs2.23/unit reduction in power tariff for June under the monthly fuel adjustment mechanism.

The regulator approved the Rs2.23/unit reduction in the power tariff during a public hearing after reviewing all facts and figures.

In a petition, Central Power Purchase Agency (CPPA) sought Rs2.23/unit reduction in power tariff for June. The consumer would get accumulative Rs25 billion relief which would be given in the next month's bill.

The reduction would not be applicable to the domestic consumers using less than 300 units/month, K-Electric, and agriculture consumers.

The CPPA submitted to Nepra that some 11.210GWh were supplied to the distribution companies in June costing Rs52.627 billion. In its petition, the CPPA submitted to the regulator that it had charged a reference tariff of Rs6.828/unit while the actual fuel cost remained at Rs4.69/unit during the said period.

Hydro generation remained at 30.46 percent, gas at 18.43 percent, coal at 5.69 percent, imported RLNG at 12.28 percent, furnace oil at 22.34 percent, and nuclear at 5.74 percent.

THE NEWS
Wednesday, 26th July, 2017

Cotton stable

Karachi

Normal trading was recorded at the Karachi Cotton Exchange on Tuesday, while spot rates remained unchanged. The spot rates stood firm at Rs6,350/maund (37.324kg) and Rs6,805/40kg. Ex-Karachi rates also remained unchanged at Rs6,485/maund and Rs6,950/40kg after an addition of Rs135 and Rs145 as upcountry expenses, respectively.

An analyst said the spinning mills are in demand of the cotton, while arrivals remained shorter than the demand that kept the prices firm. KCE recorded seven transactions of around 4,500 bales from the new crop of Sindh and Punjab at a price of Rs6,275 to Rs6,550/ maund. Of these, 1,000 bales of Shahdadpur, 1,000 bales of Tando Adam, 400 bales of Sinjhoro, 800 bales of Sanghar, 200 bales of Burewala, 400 bales of Chichawatni and 400 bales of Vehari were traded in the market.

The Nation on Web
The Nation
Wednesday, 26th July, 2017

Only Rs4b allocated out of Rs180b export package: PTEA

FAISALABAD - Pakistan Textile Exporters Association (PTEA) has expressed grave concern over non-release of funds for payment of incentives announced under the prime minister's package.

In a statement issued here on Tuesday, the PTEA chairman said that only Rs4 billion were earmarked out of Rs180 billion PM's export package. Moreover, sales tax and custom rebate refund claims of Rs200 billion are creating serious liquidity crunch for the textile industry and resulting in ultimate decline in the exports, he added.

He said textile industry, which contributes 8 percent of national GDP, remained a low priority area for the policy makers and the sector has not been given deserving importance. Resultantly, a negative growth of 1.63 percent has been witnessed in exports during July to June 2016-17 as compared to previous year which reflects non-seriousness of the government towards the largest manufacturing industry. Giving a comparison of textile exports under the prime minister's export package, he elaborated that during first half (July-December) of outgoing fiscal, textile exports were $6.156 billion; whereas after announcement of PM's export package, textile exports during second half (January-June) remained $6.295 billion with an increase of 2.26 percent only.

Results show that release of insufficient funds for the incentives restricts the required growth, he claimed. Highlighting the core issue of severe liquidity crunch for textile exporters, the PTEA chairman said that Finance Minister Ishaq Dar had announced, while delivering budget speech, that all pending sales tax refunds whom Refund Payment Orders (RPOs) have been sanctioned by April 30, 2017 shall be refund till August 14, 2017. Despite making payment, a large number of RPO's have been rolled back considering unnecessary objections. Initially, it was promised that rolled back RPO's will be processed within 30 days but even after lapse of four months, the matter is still unresolved and textile exporters are still deprived of their basic working capital, he added.

Referring to the previous budget speeches, he said that the finance minister each time made announcement for payment of outstanding refunds of exporters but no funds were released and situation remained unresolved. In Budget 2014-15, Rs6 billion were allocated under textile policy but only Rs4.84 billion released. Likewise, in 2015-16 budget, Rs6 billion were allocated and in 2016-17 another Rs6 billion were allocated but were never released.

PTEA's Vice Chairman Muhammad Naeem was of the view that due to delays in payment of refunds, the problems of exporters have been multiplied. No practical steps and measures have been taken to decrease the manufacturing cost. Higher production cost, delays in refunds and higher energy tariffs are the main reasons of drop in exports, he added. He stressed for immediate payment of all outstanding refunds as undue delay in release of huge funds that runs into billions had triggered serious liquidity crunch for cash starved textile exporters and manufacturers that lead to reduction of industrial activities.

The government should pay all outstanding refunds in accordance with its commitments. He demanded the government for immediate release of budget allocation for payment of duty drawback of taxes claims under the prime minister's package to give a quantum jump in textile exports.

The Nation on Web
The Nation
Wednesday, 26th July, 2017

Nepra approves Rs2.23 per unit cut in tariff

ISLAMABAD - The National Electric Power Regulatory Authority (Nepra) on Tuesday approved Rs2.23 per unit reduction in power tariff, for the Ex-Wapda Distribution Companies, for June under monthly fuel adjustment formula.

In a public hearing, on a petition filed by Central Power Purchasing Agency (CPPA-G), the Nepra concluded that a relief of Rs2.23 per unit be passed on to the consumers. The hearing was presided over by Vice Chairman Saifullah Chattha. The Central Power Purchasing Agency (CPPA-G) had filed a petition before the regulator for Rs2.13 per unit reduction in tariff to pass on the impact of international oil prices and better energy mix.

During hearing, the Nepra observed that the reference tariff for the month of June was set at Rs6.8283 per unit as fuel cost but actual cost amounted to Rs4.6783 per unit. During the hearing, the representatives of the CPPA-G acknowledged that a double entry of Rs952 million on account of adjustments for Rousch power had been erroneously made which should be corrected. Resultantly, the Nepra approved Rs2.23 per unit reduction in tariff with a total financial impact of about Rs26 billion.

This adjustment/relief adjustment will be available to the domestic consumers in entire Pakistan, except in Karachi and the lifeline consumers. The reason for not providing relief to the consumers of the K-Electric is that it is a privatised company and distributing its own generated electricity to the consumers in Karachi and is not covered under this determination. Besides the consumers of K-Electric, the relief will also not be available to the lifeline consumers consuming up to 300 units per month, as they are already being provided subsidised electricity. This compensation will be available to consumers in their July 2017 bills.

In its petition, the CPPA-G reported that it had charged a higher reference tariff of Rs6.83 per unit to consumers in the month of June but actual fuel cost turned out to be Rs4.70 per unit. The Central Power Purchase Agency had proposed Rs2.134 per unit reduction in fuel based power tariff for June over the reference fuel charges of Rs 6.83 per unit.

According to the CPPA-G, about 11,458 Gwh (Gigawatt hours) were generated in June and 11,210 Gwh could be delivered to distribution companies due to about 2.04 percent system losses. It said the share of hydropower production in the overall energy mix in June stood at 30.5 percent. Wind and solar plants together contributed about 2.2 percent energy at no fuel cost.

The power generation from furnace oil based power plants amounted to 22.34 percent in at a cost of Rs9.5 per unit. Similarly, the natural gas based generation was lower at 18.43 in June at cost of Rs4.26 per unit. The generation from imported liquefied natural gas (LNG) also had a healthy 12.28 percent contribution in the overall power supply at a rate of Rs7.45 per unit.

The overall energy contribution from coal increased to 5.7 percent mainly because of completion of Sahiwal power plant from usual one percent from Lakhra, and its fuel cost of generation stood at Rs4.3 per unit. The cost of generation from high speed diesel stood at Rs14.36 per unit with a contribution of 1.36percent to the overall power supply. Imported electricity from Iran contributed around 0.5 percent to the energy pool with the cost of Rs10.63 per unit.

The CPPA said total energy was generated at a total cost of Rs50.85 billion or Rs4.44 per unit while two percent lower supply was delivered to distribution companies at a cost of Rs52.63 billion or Rs4.7 per unit.

The Nation on Web
The Nation
Wednesday, 26th July, 2017

ECC approves sovereign guarantee worth Rs192.95b for power sector

ISLAMABAD - The Economic Coordination Committee (ECC) of the cabinet on Tuesday approved issuance of sovereign guarantee worth of Rs192.95 billion for power sector to pay existing loans as power distribution companies (Discos) have expressed their inability to pay loans due to financial constraints.

The ECC meeting, which was chaired by Finance Minister Ishaq Dar, has approved issuance of sovereign guarantees by the Ministry of Finance in respect of Fresh Syndicated Term Finance Facilities for four projects of Rs30.95 billion, Rs40 billion, Rs25 billion and Rs15 billion for Power Holding (Private) Limited to set off/adjust existing facilities. The ECC also approved another proposal to extend Tenor and Grace Period in respect of Term Finance Facility of Rs82 billion for Power Holding (Private) Limited.

Sources informed The Nation that the Ministry of Water and Power has asked the ECC to raise the amount through banks, as Discos have expressed their inability to pay loans due to financial constraints. The ministry in its summary stated that power sector has shown marked improvement in its performance in the past two years. The recoveries had improved to 93 percent in last year 2016 from 89 percent. Similarly, the line losses had come down to 17.8 percent from 19 percent of 2015.

The Discos/power sector will have to arrange funds through borrowings from local commercial banks in order to discharge their liability towards syndicate on account of principal instalments in respect of Rs30.95 billion syndicated term finance facility.

The Ministry of Finance will provide government guarantee for the repayment of loan as well as interest for the fresh facilities. In all four cases, the principal instalment payments shall be deferred for a further period of two years from the date of execution of the fresh facilities.

The ECC also approved a proposal of the Ministry of Water and Power, regarding an existing Term Finance Facility for Power Holding (Private) Limited, to restructure the facility by extending the tenor of the facility from seven years to 10 years, including extension in grace period from three years to six years.

The ECC, after considering and deliberating upon another proposal of the Ministry of Water and Power, approved the Standard Implementation Agreement (IA) for transmission line projects under Policy Framework for Private Sector Transmission Line Projects, 2015. As per the same proposal, the ECC also approved the TSA for HVDC Transmission Project.