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DG CPEC created for cross-border transshipments

SOHAIL SARFRAZ

ISLAMABAD: The Federal Board of Revenue (FBR) has created the Directorate General of China Pakistan Economic Corridor (CPEC) to monitor cross-border transhipments of Chinese imports coming into Pakistan through CPEC to avoid incidences of pilferage during movement of goods meant for such projects.

Sources told Business Recorder that the Finance Bill 2017 has proposed setting up Directorate General of China Pakistan Economic Corridor (CPEC). The role customs department has been considerably enhanced following implementation of CPEC. Directorate General of China Pakistan Economic Corridor would have the mandate to expedite clearances of Chinese imports; exchange of data between Pakistan and China and monitor cross border shipments and transportation of goods under the said project.

One of the key features of setting up Directorate General of China Pakistan Economic Corridor is to check any illegal trade and pilferages during transportation of goods coming for CPEC projects.

According to Finance Bill 2017, amendment has been made in Customs Act: (3) after section 3AA, the following new section shall be inserted, namely:-

"3AAA. Directorate General of China Pakistan Economic Corridor.- The Directorate General of China Pakistan Economic Corridor shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.", it added.

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PPIB increases basic pay of employees by 30pc

MUSHTAQ GHUMMAN

ISLAMABAD: Private Power and Infrastructure Board (PPIB) is said to have increased basic pay of its Executive grade and other employees by 30 per cent from January 2017, which is far higher than other government employees'.

Well informed sources told Business Recorder, that in another decision, PPIB has allowed uniform increment rates for Executive and Staff i.e. 7 per cent annual increment and 5 per cent performance increment on basic pay scale of the employees.

The Board was briefed that as per the PPIB Regulations 2013, pay scale for employees will be those as approved by the Board from time to time. Further, PPIB Board in its 74th meeting held on October 26, 2007 decided that the salaries of PPIB employees should be based on a salary survey carried out every two years. It was further revealed that the last such survey was carried out in March 2013 wherein the consultant had proposed substantial revision in the salaries, however, contrary to the consultant's report, PPIB implemented a lower increase through rationalization of salary. As a result, adhoc relief allowance was merged with the basic pay, while 10 per cent and 15 per cent increase was allowed in the salaries of executive and staff grades, respectively.

MD PPIB explained that there are three main objectives of salary review: (a) Board's decision of 2007 for carrying out a salary survey every two years;(b) compensation for inflation and ;(c) retention of existing professionals who gained valuable experience over time. The compensation packages of other companies in the sector were also discussed and it was noted that the companies in the energy/ regulatory sector are offering very lucrative salary package, therefore, the organisation has experienced a significant drop out/ resignations during the past few years. Furthermore, PPIB is facing difficulties to attract potential candidates on existing salaries scales as there is limited expertise in the market and private sector is offering huge salaries to the experts in the field of power sector.

Accordingly, an independent HR Consultant M/s Ernst & Young Ford Rhodes Sidat Hyder was hired in July 2016 after following due procedures. The main contents of consultant report were shared with the Board members. Since the current salary at PPIB stands at around 50th percentile in the market, the consultant has worked out three main scenarios vis-à-vis market i.e. 70th, 80th and 90th percentile. Comparison of PPIB's existing salaries with compensation package proposed by the Consultants on 70th,80th and 90th percentile was also presented.

Board Members while considering the proposal agreed that the federal government has also been providing consecutive salary increase to its employees during the past few years, however, any such increase has not been allowed in PPIB. The representative of GoAJ&K also supported the proposal, commenting that reasonable increase should be considered by the Board.

PPIB maintained that the increase proposed by the consultant in both executive and staff scales is substantial in size. In order to reduce the impact on budget, MD proposed a uniform increase of 30 per cent to Executive grades and 40 per cent to staff grades. Furthermore, it was proposed that the increment rate of Executives and staff of PPIB should be made uniform i.e. 7 per cent annual increment on basic pay and 5 per cent of basic pay as performance increment.

Secretary Water and Power remarked that salary increase for staff @ 40 per cent seems to be slightly on

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the higher side. The matter was discussed at length to compare the overall compensation offered in similar scales by the federal government and regulatory bodies. It was revealed that the organisation was not offering various terminal benefits including pension for its retiring employees. On a query, it was clarified that the proposal does not include salary increase for MD PPIB, as it was revised a few months back. Additional impact of proposed salary on the budget for financial year 2016-17 was also presented which would be managed from PPIB's own resources.

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THE RUPEE
Stable trend

RECORDER REVIEW

KARACHI: The rupee managed to hold present levels versus the dollar amid pre-budget announcement sessions on the money market during the week, ended on May 27, 2017.

Some experts said that the rupee moved in a tight range versus the dollar. Other analysts said that the dollar's demand was higher but supply was also enough to meet buying demand.

After the announcement of budget 2017-18, they expect, the rupee may not fluctuate sharply in terms of the greenback

OPEN MARKET RATES: The rupee almost stayed put in relation to the dollar for buying and selling at Rs 105.90 and Rs 106.10. The rupee also showed slight changes in terms of the euro for buying and selling at Rs 118.00 and 119.50.

INTER-BANK MARKET RATES: The rupee traded in relation to the dollar for buying and selling within a band of Rs 104.85 and Rs 04.86 and Rs 104.85 and Rs 04.88.

OPEN MARKET RATES: On Monday, the rupee fell by 10 paisas in relation to the dollar for buying and selling at Rs 105.90 and Rs 106.10.

The rupee also sheds 10 paisas in terms of the euro for buying at Rs 118.40, it, however, gained 40 paisas for selling Rs 119.40.

On Tuesday, the rupee stayed put in relation to the dollar for buying and selling at Rs 105.90 and Rs 106.10. The rupee was down by 20 paisas in terms of the euro for buying at Rs 118.60, while, it lost 70 paisas for selling Rs 120.10.

On Wednesday, the rupee lost 10 paisas in relation to the dollar for buying at Rs 106.00 and it also shed five paisas for selling and Rs 106.15, they said. The rupee, however, picked up 35 paisas in terms of the euro for buying and selling at Rs 118.25 and 119.75. On Thursday, the rupee gained 10 paisas in relation to the dollar for buying at Rs 105.90 and it also picked up five paisas for selling Rs 106.10.

The rupee, however, shed five paisas in terms of the euro for buying and selling at Rs 118.30 and 119.80.

On Friday, the rupee stayed put in relation to the dollar for buying and selling at Rs 105.90 and Rs 106.10. The rupee, however, picked up five paisas in terms of the euro for buying and selling at Rs 118.25 and 119.75.

On Saturday, the rupee held the present levels in terms of the dollar for buying and selling at Rs 105.90 and Rs 106.10.

The rupee, however, rose by 25 paisas in terms of the euro for buying and selling at Rs 118.00 and 119.50, they said.

INTER-BANK RATES: On May 22, the rupee depicted slight fall in relation to the dollar for buying and selling at Rs 104.85 and Rs 04.88.

On May 23, the rupee, however, recovered it's overnight gains in relation to the dollar for buying and selling at Rs 104.85 and Rs 04.86. On May 24, the rupee did not show any change in relation to the dollar for buying and selling at Rs 104.85 and Rs 04.86.

On May 25, the rupee shed two paisas in terms of the dollar for buying and selling at Rs 104.85 and Rs 04.86.

OVERSEAS MARKET OUTLOOK FOR DOLLAR: In the first Asian trade, the dollar inched higher, but remained close to six-month lows against a basket of currencies as investors assessed the impact of the latest bout of US political turmoil and a resurgent euro.

The dollar index, which tracks the greenback against a basket of six major rivals, steadied 0.2 percent from Friday's late US levels to 97.292. But it was hovering not far from the previous session's low of 97.080, which was its deepest trough since Nov. 9.

The dollar was trading against the Indian rupee at Rs 64.503, the greenback was at 4.306 versus the Malaysian ringgit and the US currency was at 6.890 in terms of the Chinese yuan.

Inter bank buy/sell rates for the taka against the dollar on Monday: 80.53-80.55 (previous 80.54-80.54). In the second, the pound slipped against the yen after a suspected terrorist attack at a concert in Britain's city of Manchester, while the euro hovered near a six-month high against the dollar on Tuesday after German Chancellor Angela Merkel said the currency was "too weak."

Sterling was down 0.2 percent at 144.36 yen after weakening to as much as 144.06. It was little changed against the dollar at $1.2992 and a touch lower at 86.60 pence per euro.

The dollar was available against the Indian rupee at Rs 64.770, the greenback was at 4.296 in terms of the Malaysian ringgit and the US currency was at 6.889 versus the Chinese yuan. Inter bank buy/sell rates for the taka against the dollar on Tuesday: 80.53-80.55 (previous 80.53-80.55).

In the third Asian trade, the dollar held firm, having rebounded from 6-1/2-month lows against its major peers helped by a rise in US Treasury yields, while the yuan eased after Moody's cut its sovereign rating on China due to concerns over the country's soaring debt.

The dollar index held steady against a basket of six currencies at 97.321 after bouncing 0.4 percent the previous day.

The dollar was firm at 111.795 yen after a bounce to 111.995 yen, its highest in a week.

The dollar was trading against the Indian rupee at Rs 64.915, the greenback was at 4.301 versus the Malaysian ringgit and the US currency was at 6.893 in relation to the Chinese yuan.

Inter bank buy/sell rates for the taka against the dollar on Wednesday: 80.53-80.55 (previous 80.53-80.55).

In the fourth Asian trade, the dollar was on the defensive after the Federal Reserve dialled down on some of the more hawkish policy expectations in the market, while the euro edged back up towards a 6-1/2-month high.

Fed policymakers agreed they should hold off on raising interest rates until they see evidence that a recent economic slowdown was transitory, the minutes from their last policy meeting showed on Wednesday.

The dollar index against a basket of major currencies was down 0.3 percent at 96.972. The dollar was little changed at 111.635 yen, pushed away from a one-week high of 112.130 scaled the previous day.

The euro, which went as low as $1.1168 overnight, was 0.2 percent higher at $1.1240, making its way back towards the 6-1/2-month peak of $1.1268 touched on Tuesday.

The dollar was trading against the Indian rupee at Rs 64.513, the greenback was at 4.275 in terms of the Malaysian ringgit and the US currency was at 6.873 versus the Chinese yuan.

Inter bank buy/sell rates for the taka against the dollar on Thursday: 80.53-80.55 (previous 80.53-80.55).

In the final Asian trade, Sterling fell after a poll showed a narrowing lead for British Prime Minister Theresa May over her opposition ahead of elections next month, while weakness in oil prices dragged on commodity-linked currencies.

The dollar was trading against the Indian rupee at Rs 64.610, the greenback was available at 4.275 in terms of the Malaysian ringgit and the US currency was at 6.858 versus the Chinese yuan.

At the week-end, the dollar rose after upbeat US gross domestic product data, while sterling suffered its worst fall since mid-January after a poll showed a narrowing lead for the ruling Conservatives before elections next month.

The dollar index, which tracks the greenback against six major rivals, was up 0.18 percent to 97.423, after rising to a one-week high of 97.548, earlier in the session.

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Major power outage hits Sindh on first day of Ramazan

RECORDER REPORT

KARACHI: A 500-KV extra high Jamshoro- Karachi transmission line tripped early Sunday affecting 13 districts of Sindh province. Karachi and Mirpur Khas were the worst affected where 70 per cent areas remained without electricity during Sehri timing.

According to reports, a major power outage was experienced in Gulshan-e-Iqbal, Gulistan-e-Johar, Malir, FB Area, Liaquatabad, Landhi, Kharadar, North Karachi, Sir Syed Town, Shadman Town, Keamari, among others, as the clocks ticked to the time to start fasting.

The electricity breakdown also continued in Gulshan-e-Hadeed, Quaidabad, Steel Town, Hub, Maripur, Mochko, Naval Colony, and surrounding areas.

According to a National Transmission and Despatch Company Limited (NTDC) spokesperson, the power outage occurred due to an extra high-tension line tripping early Sunday morning, causing generators in Jamshoro and Hubco power plants to shut down.

The spokesperson added that hectic efforts are in hand to restart the affected generators.

The impact on Hyderabad Electric Supply Company (HESCO) was significantly higher in comparison, the NTDC spokesperson noted, explaining that the national grid usually supplies 550 MW of power to Karachi.

K-Electric spokesperson Sadia Dada stated that the process to restore power is underway with the help of Water and Sewerage Board's installations but refused to give timing for complete restoration of electricity. The official added that power at Dhabeji and Pipri pumping stations has been resumed.

Almost 50-60 percent of the metropolis faces a lack of electricity at present, Dada said, reiterating the same reason behind the power outage as that of the NTDC spokesperson.

"A 500-KV Jamshoro transmission line caused the power outage," Dada explained, adding that efforts are underway to normalise the impacted areas.

PR adds: Several areas of Karachi experienced power interruption caused by tripping of 500KV Jamshoro Extra High Tension line during Sehri hours on Sunday.

Initially, around 50 per cent of the city was partially affected. Strategic installations including key hospitals and water board pumping stations were energized though alternate sources instantly.

All affected areas were restored within a few hours after power supply resumed through an alternate source.

KE regrets the inconvenience caused to valued customers due to unforeseen circumstances and remains committed to serve the people of Karachi.

Lahore Reporter adds: The spokesman of National Transmission and Despatch Company Ltd (NTDC) has said that power breakdown in the K-Electric and HESCO areas occurred about 0300 hours this morning.

However the NTDC engineers managed to energize the tripped 220 kV KDA 33 - Jamshoro power system and 500 kV Karachi -NKI-HUBCO power system at 0430 hours in a shortest possible time of two hours on Sunday.

Explaining the situation arising out of tripping caused at the southern region the spokesman said that a preliminary investigation shows that both 500 kV transmission lines emanating from the Hubco power plant did not trip on transmission fault but got tripped due to a transfer trip signal from the Hubco power plant.

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NTDC has requested Hubco authorities to investigate the cause of tripping from their end that resulted in the loss of generation to the grid. Resultantly, Southern system was subjected to under frequency and Jamshoro Power Plant was also tripped.

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Highest-ever recovery of tax liability

RECORDER REPORT

ISLAMABAD: Directorate General Intelligence and Investigation Inland Revenue (IR) has made highest ever recovery of tax liability amounting to Rs 6.2 billion, from owners of a leading home appliances Company of Karachi under Anti Money Laundering Act 2010.

Sources told Business Recorder here on Sunday that the Inland Revenue intelligence recovered this amount after the hearing at Special Court Customs & Taxation Karachi, where the trial of couple, accused of tax evasion, tax fraud, and money laundering was going on. Never in history before such huge recovery has been made by any agency of Government of Pakistan in the case of individuals involved in any financial crime, whether corruption, laundering, drug trafficking, smuggling, etc.

It is pertinent to mention that the name of family was also among the offshore leaks, and in the under reference case of sale of company to a Turkish industrial group, a shell company located in the British Virgin Islands was used by the accused persons to launder the proceeds of crime, i.e. tax evasion and tax fraud, which are predicate offences under the Anti Money Laundering Act 2010.

The Director General Khawaja Tanveer Ahmed declared this a land mark case in the history of FBR, and admired the efforts of I&I-IR team who worked relentlessly on this case. He maintained that keeping the same path, the Directorate General will be able to recover billions of looted money of Government Exchequer.

On 26.05.2017, the Directorate of Karachi received cheques of Rs. 6.2 billion of evaded tax in the case of both husband and wife (owners of company) before the Court of the Special Judge Customs, Taxation and Anti Smuggling Karachi.

According to details, husband and wife were major share holders in three companies till year 2013. By the end of year 2013 they sold an electronics company (Pvt) Ltd to a BVI company for 3.3 million dollars and dividends of 35 million dollars were remitted to BVI during next three years. Afterwards, in September 2016, all of said referred three companies were purchased by a Turkish company for consideration of US $ 242 million. The sales value of Electronics company (Pvt) Ltd, that was sold at US $ 3.3 million three years ago, in the deal was US $ 94 million. After these suspicious transactions, the authorities traced and attached five bank accounts of couple, having deposits of Rs. 19.72 billion. After taking over the case, I&I-IR Karachi gathered the evidences, linked them with each other and immediately lodged an FIR/complaint under section 191A/203 of Income Tax Ordinance, 2001 read with section 3 & 8 of Anti Money Laundering Act, 2010 in the Court of Special Judge Customs, Taxation Karachi. There were certain hearings before the Court of Special Judge, where I&I-IR Karachi through their I.O Muhammad Arif, convinced the Court in favour of their case and finally able to get arrest warrants of both accused. Consequently, the attorney of couple agreed to deposited the evaded amount of tax before the Court. The Special Public Prosecutor undertook on behalf of the Department that subject to the deposit of entire amount i.e., Rs. 6,204,374,789/-, the Department will withdraw the complaint after getting approval of Higher Authorities. The accused submitted four cheques of entire amount Rs. 6.2 billion in the Court. Finally, on 26.05.2017, the Department moved application of withdrawal of complaint under section 22(2) of the Anti Money Laundering Act, 2010 along with Office Memorandum issued by Ministry of Law and Justice dated 22.05.2017 regarding withdrawal of complaint. The attorney and advocate of accused also submitted affidavit in the Court that they will not challenge the proceedings and the tax payment in any court of law.

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Accordingly, the Court dismissed the complaint with direction to handover the cheques of Rs. 6,204,374,789/- to Directorate of I&I-IR. After recovery of entire amount in favour of Government Exchequer, the accused are entitled to operate their accounts.

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'Order passed by President can be challenged at LHC's principal seat'

SOHAIL SARFRAZ

ISLAMABAD: Lahore High Court (LHC) has ruled that order passed by President of Pakistan can be challenged at the Principal Seat of LHC at Lahore by any resident of Punjab and there is no need to file application for hearing of case at the principal seat.

It is reliably learnt that LHC has issued order in a petition against the President of Pakistan, Chairman FBR and Commissioner Inland Revenue, RTO, Bahawalpur on the issue of illegal acceptance of time barred representation filed by the FBR under Section 32 of the Federal Tax Ombudsman Ordinance, 2000, while the petty issue is denial of lawful refunds unlawfully blocked by the RTO functionaries.

The Principal Seat means the principal place of high court to conduct hearing of cases under the direct supervision of Chief Justice of High Court. It may also be classified as headquarter of high court of a province. For example, principal seat of LHC is located in Lahore and Sindh High Court is located at Karachi, a tax expert explained.

The expert further said that the petition moved by a taxpayer falls under the territorial jurisdiction of Regional Tax Office, Bahawalpur through Waheed Shahzad Butt, Advocate, challenging the acceptance of representation by the President of Pakistan against the order passed by FTO Ch. Abdur Rauf, stating that act of office of President is patently illegal and President of Pakistan has no power to condone or ignore the time limitation issue for filing of representation by the FBR against the orders passed by the FTO.

Elaborating the matter tax lawyer added that in present case President of Pakistan being appellate authority against FTO orders enjoys nationwide jurisdiction hence a nationwide presence, therefore, public office of President of Pakistan fall within the territorial jurisdiction of every High Court of Pakistan. In the light of provisions of Lahore High Court (Establishment of Benches) Rules, 1981, all matters arising within the area assigned to a Bench shall be filed before and disposed of by that Bench, unless otherwise directed by the Chief Justice.

A taxpayer falls under the jurisdiction of RTO Bahawalpur may move before the Bahawalpur Bench of LHC, however, in the instance case, focus is on the jurisdictional locale of the public office rather than the physical presence of person holding the office. The real test is to see the geographical extent of the jurisdiction enjoyed by the "public office." In this case the impugned order has been passed by the President of Pakistan, who exercises jurisdiction nationwide; therefore, his order can be challenged by an aggrieved resident of Province of Punjab at Principal Seat of LHC rather than moving towards LHC-Bench having territorial jurisdiction over the public functionaries of RTO Bahawalpur.

Petitioner states "Through present petition the petitioner questions the working of President of Pakistan as Appellate Authority under Section 32 of the FTO Ordinance, 2000, and working of FBR functionaries who play with the precious resources of National Exchequer (taxpayer's money) under the umbrella of powers available with IRS officials and ultimate wastage of taxpayer's money in futile litigation either by passing patently illegal orders or retaining taxpayer's money in shape of refunds and then defending it to save the skin of higher authorities.

Whenever maladministration is evident, the FTO automatically acquires jurisdiction. 'Maladministration has a broad, inclusive definition in the FTO Ordinance and includes decisions, processes,

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recommendations, acts of omission or commission that are contrary to law, rules and regulations and are perverse, arbitrary, unreasonable, unjust, biased, oppressive or discriminatory. By this criteria the departmental intentional lapse of not issuing the lawful refund of the petitioner and long silence without any lawful excuse, does constitute maladministration as defined in Section 2(3) of the FTO Ordinance and, therefore, falls well within the exclusive jurisdiction of the FTO without any restraint.

LHC order states "Petitioner has impugned order dated 17.11.2016 passed by the President of Pakistan. Petitioner through this application submits that the case be entertained at the Principal Seat. I am afraid there is no need of such an application. Impugned order has been passed by the President of Pakistan, hence the matter can be heard at the Principal Seat. Faced with this situation, learned counsel for the petitioner wishes to withdraw the application. Hence, instant application is dismissed as withdrawn," says the order.

Office is directed to allot a number to the petition after due security and place the same before an appropriate bench for hearing," LHC ordered.

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Last year's budget

Syed Bakhtiyar Kazmi

As I have grown older, and hopefully wiser, my fascination for the common Pakistani's passionate preoccupation and curiosity with the annual budget exercise has grown exponentially. Predominantly because, over time it has become abundantly clear that, barring a few, in fact very few, Pakistanis are generally clueless ab initio about the exigency of the budget and its utility. In a nutshell, the budget essentially is the government predicting what it will be able to snatch from its hapless subjects, referred to as taxes, coupled with what it will be able to borrow from lenders, domestic and international, against its ability to snatch more in the future from its subjects, and how will it enjoy these spoils.

Trying to predict the future, however, is generally an utter waste of time and effort, and considering that our government's historic track record over decades about predicting the future is nothing to write home about, it would be ill advisable to carry out an analysis of what will never be; Que ne sera ne sera. On the other hand, we all know that hindsight is 20/20 and that the best practise in the public sector globally, inclusive of the infamous international organisation dealing in finance, about any future economic forecast is to take last year's numbers, insert formulas on an excel sheet and click enter; accordingly our energies will perhaps be better utilized in trying to study the Revised 2016-17 numbers, included in the Federal Budget 2017-18-Budget in Brief (the Brief).

However, before moving on, a common sense clarification for all my countrymen worried about how much more they will have to pay in taxes next year. Taxes, Dear Readers, are a zero sum game; governments all across the world, especially in democracies, take from its common citizens the fruits of their hard labour and give it to the rich in the form of monopoly rights or contracts for supply. The proof of this common sense, but perhaps aptly articulated statement, lies in the colossal increase in income inequality across the globe over the last few decades, unquestionably in the oldest democracy of the world which in fact coined the term "One percent"; the rich get richer and the poor get poorest. Even in Pakistan's case, last year's indirect tax revenues were 63% of total revenue receipts; and while the Brief does not provided the relevant details, on a ball park estimate basis, inclusive of withholding taxes, which are in reality indirect taxes posing as direct, this ratio could be around or above 85%. Indirect taxes are regressive, which means that the poor and the rich are equally impacted by them.

According to the Brief, the government plans to spend 5% more in the coming year compared with what it spent last year, which in substance translates into an equivalent increase in cost of living of the common Pakistani next year in the form of taxes alone. Considering that inflation is expected to go up as well, my guess is that disposable incomes of the middle and lower classes may suffer a negative impact of around 10%. I am aware that the pundits will challenge this common sense conclusion; however I take comfort in knowing that even they cannot predict the future, and that in this case, history is on my side! Time will deliver the final judgement in due course.

The second most eye catching number in the "Summary of Estimates for 2016-17" included in the brief is Bank Borrowings of Rs 741 billion. According to the data available on the State Bank of Pakistan (SBP) website, the increase in Central Government Debt since 30June 2016 till 31 March 2017 stands at Rs. 1.2 trillion; optimism aside, the expectation is that this number would have increased further by May 2017. Diving into the details included in the Brief and adding Bank Borrowings; Permanent Debt, Prize Bonds and Treasury bill included in capital receipts; and project loans,

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programme loans, other aid from commercial banks and others included in external resources, total borrowings jump to Rs. 1.98 trillion. As pointed out at the beginning, central government debt can only be paid through future taxes. According to the SBP, at 31 March 2017 Central Government Debt stood at a towering Rs. 20.25 trillion; someday, and that day will come sooner or later, we will have to tighten our belts to cough up this money.

The popular view, if you talk to your fellow countrymen about this ever increasing debt, is that the lenders are fully aware that Pakistan can never pay this debt and hence there is nothing to worry about. Ignorance is not bliss in this case, and I at the outset apologise for bursting this utopian bubble in which my fellow countrymen feel secure in; in my defence I am of the view that it is far better to prepare for the future, compared with burying your head in the sand. Once again a detailed review of the Brief, and adding mark-up payments and foreign loan repayment included in Current Expenditure, plus Disbursements and "Government Bai-Maujjal Ijara Sukuk" included in Net Capital Receipts, result in the realization that total debt servicing payments for last year stood at Rs. 2.2 trillion. Dear Readers, we have to, and we are paying our debt!

This amount is 85% of combined net revenue receipts of the Federal Government after giving the provinces their share under the National Finance Commission (NFC) Award. The leftover balance is not even sufficient to meet 40% of Defence expenditure which, inclusive of military pensions, crossed a trillion last year. In fact the remaining amount of capital receipts and revenue from external sources are not sufficient to completely meet the leftover defence outlay. No point going into history any further, everyone can probably draw their own conclusions.

Since I am not a supporter of GDP, I see no point in discussing the various ratios and benchmarks associated with that particular indicator. Except that if we actually believe that there exists a sizeable informal economy in the country, then notwithstanding the debate on whether GDP is useful or not, any analysis limited to the documented economy arguably is an exercise in futility.

Notwithstanding all of the above, I am an optimist and sincerely believe that Pakistan is blessed with ample resources to sustain economic shocks from time to time. I also subscribe to Keynesian school of thought, a theory of total spending in the economy (called aggregate demand) and its effects on output and inflation, which perhaps is what the current Government seems to be pursuing. The strategy to borrow and spend on infrastructure demands prudence; to prevent pitfalls, projects need to be selected carefully and monitored proactively. Going forward the debt can only be paid through productive investments; the party ends when the spending ends. Ultimately, a lot depends on the benefits Pakistan can derive from the CPEC.

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Dar seeks approval for Rs310bn 'supplementary' budget

Khaleeq Kiani

ISLAMABAD: Despite the government's claims of having kept a tight control on current expenditures, Finance Minister Ishaq Dar will be seeking ex post facto approval of parliament for Rs310.5 billion in supplementary grants for expenditure overruns and re-appropriations, sometimes for extravagant expenses.

According to the budget documents placed before parliament, the finance minister has sought the appropriation of Rs310.5bn through supplementary grants, some of them of a technical nature. But at least Rs121bn worth of expenditure overruns would be an additional burden on the budget.

Parliament is required to approve these expenditures as a fait accompli because the amount is considered to have been already spent.

A cursory look at the budget documents placed before the National Assembly suggests that some of these additional burdens pertained to discretionary dole outs by the prime minister, his publicity, purchase of luxury vehicles for top functionaries, the refurbishment of accommodations for judges and unexplained expenses of intelligence agencies.

Expenses include Rs121bn in overruns, Rs185bn in reappropriations

The figure of Rs310.5bn in supplementary grants is about 19pc higher than last year's Rs261bn. Documents suggest that supplementary grants worth around Rs185bn were for re-appropriations — the shifting of funds from one head to another having no additional impact on the budget.

The ministry of finance, in its written statement, said that regular supplementary grants were meant "to provide for expenditure for purposes that were not foreseen at the time of finalisation of demands for grants. Such supplementary grants put additional burden on the budget". Strangely, the ministry could not foresee a massive expenditure of Rs121bn only 11 months ago.

Most of these supplementary grants are described as 'charged expenditure' out of the federal consolidated fund, which is presented to parliament just for its information and taken as approved without voting. Simply put, parliament cannot reject it because the amount has already been consumed.

For example, despite repeated claims of a reduction in subsidies, the government actually exceeded allocations for subsidies by around Rs12bn, which has now been charged in the budget. Another Rs63bn had been paid, unapproved, as repayments for foreign loans and Rs41bn were spent on 'other' expenditures.

A closer look at the remaining Rs61bn in supplementary grants suggests that extravagant expenses were made, despite the presence of an austerity policy.

For example, an amount of Rs1.6bn was spent on the purchase of special security equipment, including Rs140 million for the security of the president. An additional Rs154m was spent by the prime minister on discretionary grants, payment of honoraria and assistance packages for a few families of employees who died in service.

An amount of Rs417m was given to lawyers on account of international arbitration case.

Around Rs455m was spend on the purchase of 35 high security vehicles, Rs97m for holding the 19th Saarc summit in Islamabad and Rs110m for a media campaign in Afghanistan and an international campaign for Pakistan's candidates to the World Health Organisation (WHO) and the Human Rights Council.

The prime minister's publicity campaign for health schemes cost the national kitty Rs1.2bn, while Rs525m was doled out to various sports federations.

An additional amount of Rs195 million was spent on the repair of judges' residences, rest houses and sub-offices as well as the apex court building. A sizable amount of Rs3bn was given to the Trading Corporation of Pakistan for gifting rice to Cuba, China and Sri Lanka. One Shahbaz Latif Mirza was paid Rs1.1m to attend negotiations in Switzerland.

About Rs12.3bn was paid, unapproved, to provide for contractual payments for the JF-17 Thunder (Rs9 billion), wheat

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and flour export subsidy (Rs1.6 billion), and to sugar millers for sugar export (Rs1.6 billion). The government also paid Rs4.3 billion as a contribution to the Asian Infrastructure Investment Bank (AIIB), Rs1.13 billion to the Organisation for Economic Cooperation and Development (OECD) and Rs5.3 billion to the WHO.

A critical amount of Rs31 billion was made available in the middle of the fiscal year for raising a special security division for the security of Chinese nations working on various projects (Rs10 billion), besides other capacity-building activities for the army (Rs11 billion), and an internal security duty allowance of Rs5 billion, among others.

Separately, Rs19 billion were spent on the capacity enhancement of civil armed forces at the western border. Another Rs2.7 billion was spent on the capacity-building of Pakistan Rangers in Sindh and Punjab.

An amount of Rs18.5 billion was re-appropriated for the population census, while Rs25 billion was given as a subsidy to fertiliser importers under the PM's package. The legal firm of Allen & Overy was paid Rs378 and Rs408 million for fighting international arbitration cases for the Kishanganga and Rattle Hydropower projects against India.

An amount of Rs22.5 billion was provided for prime minister's development schemes for parliamentarians, Rs1 billion for the PM's education reforms — including the involving renovation of 200 educational institutions in Islamabad, Rs2.2 billion for the PM's Youth Skill Development Scheme, Rs436 million for the PM's interest-free loans, youth business loans etc and Rs3.7 billion for the PM's Youth Training and PM's special schemes for Muzaffargarh. Another Rs6.6 billion was paid as monthly cash assistance to verified displaced persons from Waziristan.

For pay and allowances of the National Commission for Human Development, Rs620 million was provided, while another Rs2.1 billion was spent on three helicopter engines for emergency relief.

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Bank borrowings increase

THE government raised Rs332.25bn from the auction of MTB of various tenors held on May 25, smaller against the received bids of Rs391.22bn.

It was also smaller against the auction target of Rs400bn. The cut off yield remained unchanged for three and six month T-bills.

Of the total raised amount, three month T-bills fetched the highest Rs247.99bn at a cut off yield of 5.99pc, followed by six month T-bill Rs81.42bn at 6.01pc and 12 month T-bill Rs2.82bn at 6.04pc.

Three month T-bill attracted the highest amount of Rs262.39bn: six month T-bill Rs107.15bn, and 12 month T-bill Rs21.67bn.

Deposits and other accounts of scheduled banks stood at Rs11,179.26bn after a 0.98pc increase over the preceding week's figure of Rs11,070.49bn, according to the weekly statement for the week ended May 12. Compared with last year's corresponding figure of Rs9,691.94bn, the current week's figure was higher by 15.35pc.

Deposits and other accounts of all commercial banks stood at Rs11,103.45bn against preceding week's deposits of Rs10,996.66bn, showing a rise of 0.97pc. Deposits and other accounts of specialised banks stood at Rs75.81bn, higher by 2.68pc against previous week's figure of Rs73.83bn.

Total assets of all scheduled banks stood at Rs15,746.66bn, higher by 1.57pc over preceding week's figure of Rs15,503.50bn. Current week's figure is higher by 15.96pc compared to last year's corresponding figure of Rs13,579.68bn.

Total assets of all commercial banks stood at Rs15,499.90bn, higher by 1.58pc over the previous week's figure of Rs15,258.36bn, while total assets of specialised banks at Rs246.76bn, were larger 0.66pc over the previous week's Rs245.14bn.

Borrowings by commercial banks in the week at Rs2,342.99bn were higher by 6.31pc against the previous week's Rs2,203.90bn

Gross advances of all scheduled banks stood at Rs5,869.52bn, higher by 1.10pc over the preceding week's figure of Rs5,805.25bn. Compared with last year's corresponding figure of Rs4,997.16bn, current week's figure is higher by 17.46pc.

Advances by all commercial banks increased to Rs5,700.82bn from previous week's Rs5,636. 76bn indicating a rise of 1.14pc, whereas advances of specialised banks stood at Rs168.70bn against previous week's Rs168.49bn.

Borrowings by all scheduled banks increased in the week under review. It rose by 6.20pc to Rs2,369.54bn against previous week's Rs2,231.01bn. Compared to last year's corresponding figure of Rs1,845.45bn, current week's figure is higher by 28.40pc.

Borrowings by commercial banks in the week at Rs2,342.99bn were higher by 6.31pc against previous week's Rs2,203.90bn. Borrowings by specialised banks stood at Rs26.54bn against the previous week's Rs27.10bn.

Investments of all scheduled banks stood at Rs7,856.58bn against preceding week's figure of Rs7,791.52bn, showing an increase of 0.83pc. Compared to last year's corresponding figure of Rs6,889.15bn, current week's figure is higher by 14.04pc.

Investments by all commercial banks stood at Rs7,802.97bn, higher by 0.86pc against preceding week's figure of Rs7,736.49bn, whereas investment by all specialised banks stood at Rs53.60bn against preceding week's figure of Rs55.03bn.

Cash and balances of all commercial banks stood at Rs932.55bn, larger by 9.05pc over previous week's Rs855.19bn. Cash and balances of all specialised banks were higher by 16.53pc at Rs3.51bn against the preceding week's Rs3.01bn.

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Budget

Eye on the provincial pie

Khaleeq Kiani

Finance Minister Ishaq Dar took the case for cutting the provinces' share in the divisible pool to the parliament for 'rebalancing' revenue-expenditure responsibilities.

In his budget speech last Friday, he attributed a three-year delay in the new National Finance Commission (NFC) award to provincial resistance in sharing the costs of financing security and special federally administered regions like AJK, Gilgit-Baltistan and tribal areas.

And he had a reason to raise the bar — discussions at the level of NFC, Council of Common Interests (CCI) and National Economic Council (NEC) did not make any headway over the past eight months.

"The delay in decision of 3+3 of the Gross Divisible Pool for this purpose has been the cause for delay in finalising the NFC Award", he complained in his budget speech requesting "fellow parliamentarians to lend their support vis-à-vis the provincial governments for this just and fair allocation".

He said large security operations like Zarb-e-Azb required vast sums as a national duty against terrorism for which provision of resources was the responsibility of the entire nation. The centre has been paying Rs90-100 billion each year for the last three years directly, for spending on military operations and indirectly on rehabilitation, return and reconstruction of the area.

Mr Dar said the National Security Committee had recommended 3pc of gross divisible pool diversions to this national duty; and is pending before CCI and NFC. In the recent NEC meeting last week, the prime minister of AJK, the chief minister of GB and the KP governor "made an impassioned plea that they were also part of Pakistan. They also have a right on the divisible pool", he insisted.

The 8th NFC did not give any award. The 9th NFC has since failed to make any progress resulting in a continuation of the 7th award well into the 8th year

His pleadings were coupled with estimates for transfer of about Rs2.384 trillion to four provinces next year, 12.4pc higher than Rs2.12tr revised estimates for the current year. This is a substantial amount when seen in the context of total tax revenues of Rs4.3tr for next year.

Under budget estimates, the four provinces would get Rs2.27tr next year out of the divisible pool, about 13.7pc higher than revised estimates for the current year at Rs1.99tr that has dropped by Rs48bn (2.34pc) because of the inability of the Federal Board of Revenue to achieve its target of Rs3.621bn by Rs100bn.

In addition to this, straight transfers to the provinces for next year are estimated at Rs115bn — lower than the current year's estimated collection of Rs125bn. These transfers include royalty on crude oil and natural gas, gas development surcharge and excise duty on natural gas, gas development surcharge and excise duty on gas.

As a consequence, Punjab would get the biggest share of Rs1.162tr next year against Rs1.02tr. Sindh's total share for next year is estimated at Rs612bn compared to Rs554bn this year. KP would get Rs390bn next year compared to Rs343.5bn while Balochistan's share will go up to Rs220bn from Rs203.6bn this year.

The two houses of parliament were informed that the 7th National Finance Commission (NFC) Award of 2010 was currently in place. The award had promised joint effort by the centre and provinces to achieve 15pc tax to GDP ratio by 2014-15. Through it, the financial autonomy to provinces was enhanced by increasing their divisible pool share from 50pc to 57.5 from 2011-12 onwards.

A special feature of the Award was recognition for requirements of Balochistan. Its share from the divisible pool was guaranteed at Rs83bn in financial year 2010-11- double from a year before. It was guaranteed that Balochistan would receive its share in the divisible pool based on the budgetary projections instead of actual FBR collection and shortfalls on FBR revenue would be compensated by the centre.

Sadly, the 8th NFC was constituted on 21st July, 2010, but it did not give any award. The 9th NFC was constituted on April 24, 2015 has failed since to make any progress resulting in continuation of 7th award well into 8th year.

Earlier, the prime minister had pleaded a special case for AJK,

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Fata and GB in the NEC meeting on May 19 with direction that a special formula be designed in the NFC for allocation of funds for these areas that could not be given a provincial status due to legal complications but were part of Pakistan and hence their people required to be treated like the people of four provinces.

He then directed the increase in block allocations for AJK to Rs22bn from the current year's allocation of Rs12bn. This was the largest increase in history for the region that gave an impressive majority to PML-N in last year elections to speed up the pace of development. Likewise, the block allocation for GB was jacked up from Rs9bn to Rs15bn while Fata's share was increased to Rs24.5bn from Rs21bn this year.

The finance minister has been building a case for a seven per cent cut in gross divisible pool to have control over at least Rs250-300bn additional resources. Of this, 3pc has to be spent on additional security requirement for the China-Pakistan Economic Corridor (CPEC) and other development projects, 3pc for equitable socio-economic development of tribal areas and 1pc for Azad Kashmir and Gilgit-Baltistan.

This means the centre wants the provinces to get 57.5 pc share of the divisible pool out of 92pc, instead of the existing 99pc — 1pc already being allocated for Khyber Pakhtunkhwa as compensation for damages arising out of the war on terror.

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27pc increase in KP budget proposed

Mubarak Zeb Khan

The Khyber Pakhtunkhwa government is expected to announce a populist budget with generous allocations for the social sector and grassroots development.

Other budget proposals are likely to reflect continuity rather than change.

Top priority has been accorded to the completion of ongoing development projects including a few big mega infrastructure projects ahead of the next general election.

The next year's proposed budget outlay at Rs605 billion is up nearly 19pc over the current year's budget of Rs505bn, assuming growth in federal transfers of 15pc.

Reliance on federal resource transfers has increased as very little effort has been made to broaden the provincial tax base. There is no substantive fiscal proposal on the table. Nearly 93pc of the KP budget relies on federal resource transfers.

Current expenditure is projected at Rs400bn, or nearly 67pc of the total budget outlay. Major chunks of these allocations go towards the payment of salaries, pensions, non-salary expenditures, interest payments and federal and foreign debt repayments.

An official privy to the initial provincial budget says salaries are expected to be raised by 10pc to 15pc while non-salary spending is expected to go up by 20pc against their average increase of around 13pc in the past four years.

Despite austerity measures, the number of government employees is on the rise in all provincial departments. New posts created on political consideration are posing a serious threat to the fiscal health of the provincial government. In the next fiscal year, it is projected that more new posts shall be created to accommodate people ahead of the next election.

Top priority has been accorded to the completion of ongoing development projects ahead of the next general election

As per initial estimates, the allocation for socio-economic development is expected to go up by 27pc to Rs205bn against the current year's Rs161bn. The average increase in the past four development budgets was 14pc.

Pursuing its agenda of devolving powers to the grass root level, the KP government will earmark a lion's share of its total budget for district development. The budget sets aside nearly Rs34bn for the three tiers of local governments against Rs28bn for the outgoing fiscal year.

The provincial component of the Annual Development Programme (ADP) is projected at Rs125bn. And the province will get a whooping Rs80bn as foreign aid, mostly for the China-Pakistan Economic Corridor related projects.

Priority has been accorded to completion of over 600 projects, along with over 5,000 in the health and education sectors ahead of the next year election.

In all, 26 new projects have been proposed in the energy and power sectors,12 for elementary and secondary education, 13 for higher education, 12 for drinking water and sanitation, 35 for health sector, 10 for tourism and sports, five projects in the field of law and justice and 82 CPEC/Chinese related projects.

In the sphere of large infrastructure projects, the focus will on completing the Swat expressway, bus rapid transit, canal irrigation road for market to farm access, and setting up two new cities — CPEC City and Peshawar Model Town — to cater to the residential needs of the province.

The CPEC City will be built near the Colonel Sher Interchange on the Motorway. Peshawar Model Town will be located between Peshawar and Nowshera.

The provincial government has inked a memorandum of understanding (MoU) with the Frontier Works Organisation ahead of the budget announcement. The FWO will also establish a 506MW hydro-power station in Chitral as well as an oil refinery in KP.

Similarly, the government has prioritised health and education development — for which the allocation is expected to increase in the range of 15pc to 20pc, from the current level.

On the revenue side, it is estimated that the province will receive Rs337.74bn from the federal divisible pool in 2017-18 against current year's Rs293.69bn.

The province is projected to receive Rs40.58bn as 1pc of the divisible pool for its contribution to

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the war against terror. It will receive Rs17.2bn in straight transfers or payment on duties and royalties on the production of oil and gas.

As per proposed estimates, the province's tax and non-tax receipts are projected at Rs40.48bn for 2017-18 against current year's Rs49.50bn, a decline of Rs9bn or 18pc. KP's tax revenue is projected at Rs19.98bn against current year's Rs18.17bn.

So the total increase in the budgetary outlay for next year over the outgoing fiscal year is not coupled with any fiscal proposals. The province should not fully bank on the Federal Board of Revenue's initial tax revenue projections, as the actual collection generally falls short of the target.

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PSDP: wastage of scarce funds

Khaleeq Kiani

The axe fell on the development budget as usual. An estimated Rs100 billion shortfall in collection compelled Finance Minister Ishaq Dar to bring down the FBR revenue target for 2016-17 to Rs3.521 trillion from Rs3.621tr budgeted last year in this season.

Straight forward, the Public Sector Development Programme (PSDP) for the outgoing year was cut by Rs85bn to Rs715bn from the original Rs800bn announced with fanfare last year. No worries either, the finance minister increased the next year PSDP with a big bang — almost 40pc — to Rs1.001tr over expected disbursements this year.

That has been the practice all along. Finance ministers have been pitching big numbers for development only to be cut down significantly before the close of books as cooked up optimistic revenue growth remains elusive except for few exceptions.

It is a political nuisance to announce large numbers for the development budget with schemes here and there for uplifting the standard of living only to leave them unfinished half way through — the usual vicious cycle of cost over runs, delayed benefits and so on. That is why even next year's development outlay is suspect to actual delivery.

Interestingly, the revenue shortfall did not arise from the much-trumpeted oil price related taxes which, in fact, exceeded budgeted targets as is evident from the Rs80bn higher than targeted collection from indirect taxes — sales tax, federal excise and customs.

An Rs35bn shortfall on other taxes like gas infrastructure development cess was more than compensated by higher collections from natural gas development surcharge and petroleum levy. This was despite the government's claims that it was foregoing a part of oil taxes.

On the contrary, the big hit came from the most unsuspected sector — income tax and mainly because of the government's decision to roll back reform measures through amnesty schemes, including one for the real estate sector.

An almost Rs180bn shortfall came from direct taxes and most of it — Rs175bn — from income tax alone. The government had targeted Rs1.539tr income tax for the current year that has now been revised to Rs1.36tr.

The cut in development budget on the other hand was despite the fact the foreign exchange component for development projects was much greater than anticipated in the budget last year. The project loans and grants for the PSDP were pitched at Rs229bn last year but actual inflows are now estimated at Rs262bn.

A major problem was set in at the beginning of the PSDP allocations. A flood gate of half-cooked development projects was opened last year. It was inundated with a whopping Rs1.626tr worth of un-approved schemes and those without mandatory PC-1 papers. This forced the planning commission down the road to re-appropriate funds for 213 projects during the outgoing fiscal year.

Finance ministers have been pitching big numbers for development only to be cut down significantly before the close of books as extreme revenue growth remains elusive except for few exceptions

On the positive side, it helped the speedy completion of 101 projects but also led to overspending in areas where a major part of the funds were lost to extravagance.

For example, the National Highway Authority and power sector have been given Rs22bn and Rs4bn higher than originally committed. At the same time disbursements for political schemes have been increased to Rs42.5bn instead of the budgeted Rs20bn.

Another major diversion was affected due to relief and rehabilitation of internally displaced people from tribal region and security enhancement. Against a block allocation of Rs100bn, only Rs14bn were spent on security enhancement in tribal regions.

Also, Railways was given Rs56bn during the outgoing year against its allocation of Rs41bn.

This was mainly because of start-up problems with tens of hundreds of development projects that were made part of the current year's public sector development programme (PSDP 2016-17) and could not take off.

This is despite claims by the Minister for Planning and Development, Ahsan Iqbal, that the PML-N government had done away with the practice of allowing unapproved projects entry into

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the PSDP with token allocations to avoid wastage of resources because of cost escalations and delays.

"The PSDP 2016-17 included 225 un-approved projects worth Rs1.626tr having an allocation of Rs93bn for 2016-17", according to a planning commission note to the National Economic Council.

The commission claimed it went behind the line ministries and executing agencies throughout the year requesting them to speed up submission of project documents and get them approved but in vain.

"Despite these efforts, 77 projects of 19 ministries (out of a total of 35 ministries) were still unapproved as of May 10", the planning commission complained. There is no apparent accountability so far on this count.

The planning commission authorised re-appropriation of Rs53.4bn from 213 slow moving projects to 101 fast track projects.

Through these re-appropriations and adjustments in the PSDP, the planning commission expected the completion of 145 projects by June this year, having a total cost of Rs68bn.

This was despite the fact that the commission had decided last year not to encourage new projects except those falling strictly within development agenda under Vision 2025 and projects initiated before 2010 having throw-forward of Rs15 million were deleted.

The NEC had accorded the highest priority to the energy sector last year with an allocation of Rs405bn including Rs250bn self-financing by generation companies and National Transmission and Dispatch Company (NTDC).

The transport and communication sectors were the second greatest priority with allocation of Rs240bn, followed by health and population of Rs36bn, Water sector Rs30bn and Education and Training Rs30bn.

For next year again, the allocation to NHA for road development has been jacked up by almost Rs110bn to Rs320bn while allocations for power sector have been reduced more than half to Rs61bn from Rs134bn this year.

For political reasons, special allocations worth Rs12.5bn each have been made for Clean Drinking Water for All and Energy for All. The track record of spending on water schemes is extremely poor because no arrangement is made for replacement of filters on a continuous basis that go to waste after first 3-6 months.

A special allocation of Rs40bn is also made for next year on special federal development programme and Rs30bn for small schemes like sewerage and construction of streets etc ahead of elections.

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The two-speed tax collection

Jawaid Bokhari

Provincial taxation has a huge potential in two — yet to be fully realised — areas: the sales tax on services sector which shares nearly 60pc of the country's gross domestic product; and tax on farm incomes with agriculture that accounts for close to 20pc of the GDP.

The provinces have outperformed the Federal Board of Revenue in collecting sales tax on services, showing how some taxes can be better collected at the sub-national level; though the collection pales into insignificance when seen in the context of the size of the services sector in the economy.

Much of this business activity is in the informal sector while taxation responsibility has only recently been acquired by the provinces. The bulk of this revenue is contributed by major developed cities where business is far better organised and is part of the documented economy. For example, the Sindh Revenue Board collects 78pc of its sales tax on services from a few sectors including the Karachi seaport, airport and terminal operators, telecommunications, banks, insurance, franchise, stock brokers, etc.

As opposed to their performance in urban areas, the provinces have a dismal record in collecting tax from farm incomes and land revenue. These low revenue yields demonstrate the inability of the tax authorities to deliver effectively and the ruling parties' lack of political will to raise provincial revenues from the landed aristocracy.

According to official procedure, agricultural income tax (AIT) or land revenue, whichever is higher, is collected by tax authorities. The main barrier is the domination of big farmers in the provincial assemblies and their captive rural electoral constituencies. With the general elections early next year, none of the ruling political parties are likely to risk annoying the rural gentry.

As opposed to their performance in urban areas, the provinces have a dismal record in collecting tax from farm incomes and land revenue

With the digitalisation of farmland records in Punjab and Sindh, it was hoped that AIT would go up significantly because of clear land tiles and the reduced discretionary role of revenue officials, particularly of patwaris and tapedars. So far the nominal IAT collection has fluctuated from year to year within a narrow band.

However, a significantly improved AIT revenue is direly needed to step up investment for the uplift of an essentially backward agriculture run by an outdated mode of farming and marketing. A World Bank report just released highlights that the government spending on agriculture as a ratio of overall budgeted outlays and agricultural GDP is far lower than other countries in the region. Since agriculture is a provincial subject, the failure lies squarely on provincial governments.

For want of modernisation, the share of agriculture to GDP is declining gradually, outpaced by growth in the services sector and industry. Upgrading irrigation facilities, building farm-to-market roads, setting up storage facilities, etc, requires enormous investment; which in turn shall raise productivity and income of small farmers and landless peasants.

But things are moving in the opposite direction. The Sindh government has also stopped distribution of state lands among landless peasants.

The provinces need to put agriculture at the centre of their development strategy for both domestic food security and exports to food deficit neighbouring countries.

The latest figures show well over 40pc of the population engaged in agriculture shares less than 20pc of the GDP (national income). Here it must be conceded that there is a huge transfer of resources from rural areas to urban centres because of the existing market manipulation, both in case of prices of farm inputs and crops. And because small farmers suffer the most, this trend needs to be curbed.

Big farmers have the wherewithal and know how to get the best deal. They are major beneficiaries of support prices, subsidies on farm inputs, subsidised tractors schemes, low irrigation water charges, etc. But they pay very little income tax or land revenue.

Of the total provincial revenue collected by Punjab in fiscal year 2016 only 1pc came from AIT and 7.5pc from land revenue. In case of KP, AIT's share was 0.6pc and that of land revenue 12.6pc. AIT contributed 0.1pc and land revenue 5.8pc of Balochistan's total revenue. The worst

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performer was Sindh with 0.3pc collected as AIT and 0.2pc as land revenue. Sindh has the biggest farm economy after Punjab.

The percentages have also to be seen in the backdrop of impressive provincial tax revenue growth of 37.6pc with Sindh taking the lead in collection of sales tax on services, especially from the port city of Karachi. It only shows the AIT and land revenue are not keeping pace with the rise in the overall tax revenue.

Coupled with capacity building of tax authorities, the State Bank of Pakistan has suggested that 'introduction of incentives, such as reinvestment of tax receipts for improvement of infrastructural development, may help raise substantial revenue from the sector'.

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No new taxes expected in Punjab budget

Nasir Jamal

Punjab's budget for the financial year 2017/2018 is expected to wear the appearance of a pre-election, populist budget with provincial officials projecting the total development outlay to grow by up to 10pc, to above Rs600 billion from this year's Rs550bn.

"The next budget is going to be an election year budget full of populist initiatives to attract voters in the 2018 election," an official involved in the budget-making process told Dawn last week.

The provincial fiscal operations show the government has spent 43pc, or Rs239bn, of the Rs550bn earmarked for the current year's development programme.

Development investment for the current financial year was estimated at 37.5pc, bigger than the original estimates of Rs400bn including the core development spending of Rs333bn for the previous fiscal.

"The next year's development programme will continue to target large-scale infrastructure and invest in agriculture, irrigation, energy, transport and the social sector to improve the economic growth rate, alleviate poverty and create jobs," the official said.

Besides, the government plans to increase its allocations to provide subsidies to growers and the unemployed urban youth in order to woo them away from the ruling party's opponents. More funds are being set aside next year for the poor living in south Punjab, the official added.

Officials said the province's current expenditure was set to record a much higher growth next financial year compared with its development outlay because of the additional burden on the provincial resources on account of an estimated increase of Rs25bn/Rs30bn in its annual pension payments.

"Apart from certain election-related initiatives targeting specific segments of voters, the next provincial budget will have no major policy shift"

"The pension payments are projected to rise sharply owing to an ever increasing number of pensioners, as well as a court ruling that requires the government to pay (to the pensioners) all the (pension) raises allowed during the period for which (their) pensions are commuted and after restoration of the commuted portion (of their pensions)," another official said.

The provincial government had budgeted Rs850bn for its current expenditure during the outgoing year but the amount is projected to surge significantly next year.

"While we are expecting the development budget to rise by approximately a tenth, the current expenditure may rise sharply to about Rs1 trillion."

The overall size of Punjab's budget for the next financial year, officials said, is expected to increase by up to 10pc to Rs1.60tr from the original estimates of Rs1.45tr for the present fiscal. This year, the original estimate for the current expenditure was a little above 12pc than a year ago.

Officials said the exact size of the provincial budget and its annual development programme had so far not been firmed up. "The budget outlay projection may be a little lower, or a tad higher, than the current estimates depending upon the final size of the federal divisible pool," a senior official said.

"With almost 80pc of our revenues flowing from the federal government under the National Finance Commission award, we cannot project our budget estimates accurately unless we know the exact size of the tax divisible pool, which Islamabad hasn't conveyed to us so far."

The provincial fiscal operations for the first three quarters of the ongoing fiscal year show that Punjab had produced a budget surplus of Rs85.35bn as its revenue receipts stood at Rs808.40bn and total expenditure — including development expenditure of Rs239bn — at Rs723.05bn.

Provincial revenue receipts during the period included its share of Rs665.57bn in federal revenues, provincial own tax and non-tax collection of Rs132.80bn, and federal loans and grants of Rs9.99bn.

Officials also dismissed the possibility of any significant increase in the provincial tax revenue target. "There will be a modest, nominal increase in the provincial own tax revenue target next year. But neither any new tax will be levied nor the existing rates increased in view of the elections," the official argued.

The provincial government had increased its tax revenue collection target for the present year by 13pc to Rs184.436bn from the original estimates of

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Rs160.59bn for the previous year. The government is targeting to collect Rs85.50bn as general sales tax (GST) on services this year. Overall the provincial tax target remains on the track during the first three quarters of the year to March.

“Apart from certain election-related initiatives targeting specific segments of voters, the next provincial budget will have no major policy shift,” the official concluded.

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FOCUS

Budget as usual

By Zeeshan Haider

"It was a copy and paste budget," was the subtle reply of a banker when asked about his opinion about the budget, the fifth and probably the last budget of the Pakistan Muslim League-Nawaz (PML-N) government, presented by finance minister Ishaq Dar in the parliament last week.

"It was a copy and paste budget," was the subtle reply of a banker when asked about his opinion about the budget, the fifth and probably the last budget of the Pakistan Muslim League-Nawaz (PML-N) government, presented by finance minister Ishaq Dar in the parliament last week.

In Pakistan, the majority of people and even policy makers consider the budget as a document detailing statistics and data of incomes and expenditures of the government for a year, but in fact it should be a strategy by the government on how to tackle economic challenges faced by the country in the next year and beyond.

Like his previous budget speeches, the speech of the finance minister this time around too opened with a long narration of what was the state of the economy when he took over the reins of the finance ministry in 2013, and how he brought about a "a major turnaround".

There is no doubt that the economy has come a long way from what it was in 2013 when it was on the brink of a default, and credit must be given to the finance minister and his team for salvaging the economy from that disaster as all macroeconomic indicators are now showing very encouraging trends.

After prudent management of four years, the government is all set to achieve 5.3 percent of GDP growth in the current fiscal year, which though was lower than the target, was still highest in the last decade.

Inflation has been significantly contained, though lower oil and commodity prices in the international market too have a major role in it.

The foreign exchange reserves which were at a very dangerous level in 2013 have now been built up to a comfortable level and are sufficient to cater for up to four months of imports.

There has been remarkable fiscal discipline which helped in containing fiscal deficit which right now is 4.2 percent of the GDP.

These achievements made finance minister boast in his speech that the country is way ahead of the situation when it was on the verge of default and now stands on the "cusp of high economic growth trajectory".

While one must give credit where credit is due, the economic managers should keep in mind that it is not for the first time that Pakistan has made these achievements.

During the government led by general Pervez Musharraf, Pakistan was at the cusp of high growth trajectory too as at that time all macroeconomic indicators were showing very positive trend –some of them were even higher than the current ones. But like a house of cards, all those gains were lost within no time because of factors well known to everyone in Pakistan.

What is the guarantee that achievements made by the current government are durable and they would not be squandered this time as has happened before?

While it is heartening to see that despite all weaknesses the democratic process is working in Pakistan, which hopefully in the long run would ensure political stability in the country, there is still a dire need for a political consensus on vital economic issues to ensure economic stability.

The finance minister is very justifiably arguing that there should be a 'charter of economy' on the pattern of charter of democracy in the country in order to ensure economic stability.

"We should pledge that there should be no politics on economic issues….economy and politics should be separated," he said in his budget speech, though later in a television interview he was reminded that the PML-N while in opposition had played politics on economy and had opposed enforcement of Reformed General Sales Tax (RGST) by the previous Pakistan Peoples' Party (PPP) government.

Observers say that though the finance minister eloquently highlighted the achievements and performance of his government and economic team, he failed to mention the challenges, even in passing, faced by the economy of the country.

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GDP growth has passed the five percent mark for the first time in ten years, but it is also a fact that the country has recorded highest current account deficit in the past decade or so too.

The current account deficit is expected to end up at $8.5 billion by the end of the year as against 2.5 billion dollars last year.

The imports have shown an increase of over 40 percent, while exports have miserably failed to pick up despite the lucrative package announced by Prime Minister Nawaz Sharif for the textile industry – which account for more than half the country's exports and 40 percent of manufacturing jobs – in January.

The government spin doctors have been telling the people that high current account deficit should not be a big cause of worry, as it shot up because of machinery imports, and the trend would be reversed once this machinery was commissioned and installed and started spurring exports and growth.

However, vibes from the textile and industry sectors are not encouraging. Observers say many of the big industrialists of the country have started putting their money in the real estate business to make easy money.

Such a situation should be a cause of alarm for the government as Pakistani exports are already loosing regional and international markets to their competitors – Bangladesh and India – and lack of interest by industrialists and exporters in their own industry would mean that Pakistan's share in the export market would shrink further.

The worried industrialists have called on the government to take more steps to regulate real estate business in the country in order to plug the sources of easy money making so businessmen should concentrate on the development of their own sectors.

Analysts say the government needs to focus on finding new sectors to expand the economy but it should not lose sight of traditional sectors of the economy, particularly agriculture – which was the backbone of the national economy.

Last year, agriculture posted negative growth which was the main reason behind below target economic growth. This year, agriculture is showing a normal growth, but it still has the potential to produce higher growth.

Despite recovery in the agriculture sector because of the incentives package announced by the government last year, farmers believe they are being ignored, which was evident from the fact when a large number of farmers, mainly from Punjab – the food basket of the country – converged in Islamabad on the budget day to stage a protest demanding more relief in the prices of fertilisers as well as electricity charges.

In order to spur industrial growth, the government has announced zero load shedding for industries, but no such incentive has been announced for the agriculture sector. Observers say though agriculture sector is showing signs of recovery, this turnaround is not very encouraging for the country's traditional crop.

Pakistan has been the fourth largest producer of cotton in the world after China, India, and the United States, but recent trend shows that cotton growers are increasingly switching to sugarcane crop as it earns more profit needs less labour.

Analysts say the government has shown little interest to salvage the country's traditional crop, as almost the entire political elite of the country has its stakes in the sugar industry.

As generally expected the budget for the year 2017-18, which is the last fiscal year of the PML-N government - was an “election budget”. The government is eyeing a win in elections due next year.

The government has earmarked an unprecedented allocation of over Rs1,001 trillion for Public Sector Development Programme (PSDP) while maintaining unrealistic restrictions on expenditure.

Some analysts worry that the government might either resort to more borrowing or introduce “mini-budgets” to meet its expenditure, both of which are detrimental to the economy.

They say that though the government has set very ambitious targets of revenue collection, if the poor record of performance by the Federal Bureau of Revenue is any guide, it might end up in missing those targets which ultimately require the government either to borrow or impose more taxes on poor people.

Since the government would try not to upset the people in the election year, it would most probably resort to more borrowing which would further pile up the debt burden.

The finance minister in his speech did repeat the tall claims that electricity shortages would be overcome by next year, but he did not unveil his government's schemes to address deep-rooted problems of the energy sector.

Circular debt is the most serious problem right now for the energy

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sector. Soon after coming into power, the government cleared the whopping Rs480 billion in one go, but it has rebounded very strongly. It is feared that the circular debt piled by the current government by the end of its tenure would be more than what it inherited from its predecessor.

The government is said to be reluctant in clearing its circular debt as it could tremendously increase the budget deficit which it takes credit to have contained to 4.2 percent.

Moreover, much of government's focus is on inaugurating new projects for power generation to produce more electricity, while it is conveniently ignoring the fact that pilferage and losses of power sector are much serious and bigger problems than generation.

Pakistan's electricity needs at present could still be met with the current installed capacity but it is pilferage as well as failure in the recovery of outstanding dues which are creating hurdles in fulfilling those needs.

The country's political leadership needs to show more maturity in tackling the economic woes of the country. They need to evolve a consensus on what are the key problems of Pakistan's economy and how could these be tackled irrespective of which political party comes in to power.

The law and order situation, which is one of the major factors for the economic progress of a nation – has improved considerably over the past couple of years because of military operations in Karachi, the commercial capital of the country, and in tribal areas, but political stability is another big requisite for the development of a country.

It is for the political leadership of Pakistan to ensure political stability. Despite numerous ups and downs, the democratic process has continued in Pakistan over the past nine years. One hopes and prays that this process continues, which would result in strengthening of the national institutions that ultimately provide an enabling environment for the economy to grow and flourish.

Mr Dar hopes that Pakistan would join the league of world's leading emerging markets by 2030 but this dream could only be materialised if there is political stability, improved security situation as well continuation of economic reforms in the country. Otherwise it would not be more than a mirage!

The writer is a senior journalist based in Islamabad

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BUDGET

Settling on measures

By Mansoor Ahmad

Developing countries go through periods of high current account deficit as they import technology and equipment to enhance their economic capacities and capabilities; current account deficit also widens if a country imports for consumption to compensate for domestic shortages.

Developing countries go through periods of high current account deficit as they import technology and equipment to enhance their economic capacities and capabilities; current account deficit also widens if a country imports for consumption to compensate for domestic shortages.

Current account deficit is a liability that country builds up against its trade partner countries. These liabilities are financed by flows in financial account. Like any other liability this burden has to be paid back. This is the reason that economists advise that funds borrowed from foreign sources should not be used liberally on avenues that do not guarantee long-term productive gains.

Such wastage of foreign funds erodes its ability to repay. If the practice continues for a longer period the country would be risking its solvency. Solvency of the country depends on ability to generate sufficient surpluses to repay the amount it borrowed in the past to finance its current account deficits.

Pakistan recorded a Current Account Deficit of $7,500 million during July-April period of this fiscal. That is the highest ever in the country's history. Current Account in Pakistan averaged $-526.08 million from 1976 until 2017, reaching an all time high (surplus) of $1,418 million in the third quarter of 2002.

Pakistani planners should now analyse the way the foreign money was used. If Ishaq Dar is to be believed, all foreign funding this year was used on projects that have a capacity to payback after their completion. If this is true, then it is a good sign. Ground realities belie this claim.

It may be true that funds the government received for development from the donor agencies were utilised in better yielding development projects. But the general import trends in Pakistan reveal a pattern that foreign exchange was consumed without a chance of paying back these imports in future.

As a developing country, we must encourage all imports that generate manufacturing employment in our country. In view of our vulnerable foreign exchange, we should take measures that discourage purely consumptive imports meant for luxury. Import of luxury cars for instance should be totally banned. These high priced three-year-old used cars are two to three times more costly than the more expensive than non-luxury but highly comfortable Honda or Toyota models.

Similarly, import of processed milk, juices and processed chicken and other food items should be discouraged. There should be a very high ad-valorem duty on these items to ensure that these items are not under-invoiced. Food products are prone to go stale and have an expiry date.

There is no mechanism in Pakistan to check the purity and quality of most food items. There should be a complete ban on the import of processed foods until such capabilities are developed at the customs where these are cleared. Pakistan has highly developed processed food industry and some globally respected international and domestic brands that are manufacturing top quality processed food.

According to International Monitory Fund (IMF) if the deficit reflects an excess of imports over exports, it may be indicative of competitiveness problems, but because the current account deficit also implies an excess of investment over savings, it could equally be pointing to a highly productive, growing economy.

If the deficit reflects low savings rather than high investment, it could be caused by reckless fiscal policy or a consumption binge. Or it could reflect perfectly sensible inter temporal trade, perhaps because of a temporary shock or shifting demographics.

The current account can be expressed as the difference between the value of exports of goods and services and the value of imports of goods and services. A deficit then means that the country is importing more goods and services than it is exporting—although the current account also includes net income (such as interest and dividends) and transfers from abroad (such as foreign aid), which are usually a small fraction of the total.

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The government estimates that the current account deficit would further widen in 2017-18 because of acceleration of China-Pakistan Economic Corridor (CPEC) related development expenses. Financing development projects through foreign funding should not be an issue if the projects are completed on time. The cost overruns in case of delays are very high and because of delays the repayments start maturing before the nation could reap the benefits of that project. In that case, the government has to bear the debt servicing from its own resources.

There is nothing innovative in the last budget of this government presented by Ishaq Dar. He will now have to ensure that the government remains within its limits during the election year. We may recall that the things were as rosy as they look today when the Shaukat Aziz-led government presented its last budget. The inflation was in single digit, rupee was stable, foreign exchange reserves were at comfortable level, the current account deficit was in manageable range, the circular debt was not a problem and the exports were on rise.

A few months later, things started deteriorating as the government went into public appeasing mode. Inflation started rising, foreign reserves started declining, circular debt surfaced as a major issue, and exports stagnated. Foreign Direct Investment nosedived. Had that government continued with the policies that delivered in past four years, the economy would have been in excellent shape.

Present regime has also achieved a lot in past four years, though the performance still does not match that of Shauket Aziz era as exports are declining and circular debt is a major issue. The reforms it introduced in the past are strengthening the economy though the thrust of reforms has only been on maintaining macroeconomic stability. This government has failed to remove flaws in power sector management and has miserably failed on export front. Under these circumstances any move to relax the reforms for public appeasing would be more injurious for the economy than in 2008. The public sector companies are now a real problem for the economy. All efforts to restructure them in last four years have failed. There is a dire need to get rid of them immediately. The circular debt because of inefficiencies and incompetence of power distribution companies and the ever increasing losses of other public sector entities are the major contributors in the budget deficit.

If the public appeasing measures do not go out of hand, it may help this government to win the next elections, but if the economy derailed as a consequence of these measures, this regime may lose the election.

In that case, we would be back to square one. Unlike developed economies where economic planners sitting in opposition are fully abreast with the current development in economy; we lack such informed economic mangers in opposition.

They would take time to analyse the deteriorating situation which may go out of hand. So it is in supreme national interest that the present government manage the economy in its last year with extreme caution and care so that anyone who comes to power in 2018 does not have to face the same problems that the preceding two elected government faced after assuming power.

Let us hope that this time around, Dar would be able to achieve all the targets set in the budget for 2017-18 including that of exports and tax revenue. Pakistan is at a crossroad where the government policies in next five years would determine whether it becomes a trade corridor only or a manufacturing hub for the entire region.

The writer is a staff member

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Decrease in petroleum prices likely

NNI

ISLAMABAD - Oil & Gas Regulatory Authority (OGRA) has drafted summary to decrease petroleum prices as a recommendation in this regard had also been sent to the Ministry of Petroleum. It has been recommended in the drafted summary that the petrol price should be reduced by Rs 2.10 per liter. In addition, a reduction of Rs 1.80 per liter in high speed diesel and of Rs 1.50 per liter in light speed diesel has been recommended in the summary drafted by the regulatory authority. The price of Kerosene oil is also expected to fall by Rs 3 per liter.

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Crude petroleum exports up by 47.49pc in March

APP

ISLAMABAD - The year-on-year exports of petroleum (crude) increased by 47.49 percent during the month of March 2017 as compared to the same month of last financial year.

The exports of crude petroleum were recorded at $18.216 million in March 2017 compared to the exports of $12.351 in March 2016, according to the official data.

In terms of quantity, the exports of crude petroleum increased by 2.81 percent by going up from trade of 43,976 metric tons in March 2016 to 18,216 metric tons in March 2017, the data revealed.

However, the crude petroleum exports witnessed negative growth of 36.69 percent during the first three quarters of the current fiscal year compared to the same period of last year.

The overall exports of the product were recorded at $5.889 million in July-March (2016-17) compared to the exports of $88.873 million in July-March (2015-16), according to the data.

In terms of quantity, the exports of crude petroleum witnessed decrease of 38.48 million during the nine months under review. The exports decreased from 9,203 metric tons last year to 5,889 metric tons during the first nine months of current year.

It is pertinent to mention here that over all exports of petroleum and coal group increased by 7.97 percent during the current fiscal year.

The export increased from $128.918 million last year to $139.179 million during the current year, according to the data.

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Crisis of energy or crisis of attitude?

Muhammad Qasim Khokhar

"Sustainable energy is the golden thread that connects economic growth, increased social equity and an environment that allows the world to thrive," said Ban ki moon. Energy is a backbone of civilization and whatsoever has been achieved by the journey of civilization is through energy. Humans have been harnessing more and more forms of energy and making the life on planet better. But lack of respect for this bone of human civilization by masses, some industries, irresponsible commercial activities is threatening the human life itself. Pakistan is rapidly coming out of this energy crisis but we cannot afford slipping into this vicious cycle again. Our energy needs are multiplying due to increasing population, urbanization and modernization. So what is the solution?

Mere bashing of govt, DISCOS and other relevant persons-whether individual or legal would create difference? Let us cool our feet and come with realistic answer. It is No.

The reply needs much broader and deeper introspection and not surface scratching.

Total crisis of Energy in about 6000MW. Now we analyze it as under.

Let us visit the globe and look at the pattern of rising from the bed and going to bed- Japan, Korea, China, America, Germany, France. In every developed country, commercial markets close within 2 hours of sunset. Hardly bars, pharmacies remain open. But we see out markets hum with commercial activities till midnight and even later on in Mega polis of Karachi and Metropolis of Lahore and others. There exists a conservation potential of 600MW if we close markets within one hour of sunset. Sindh Government under its new Chief Minister has taken a decision to close shops at 7 pm and marriage halls at 10pm but how this decision is implemented is yet to be seen due to cultural inertia. The implementation can become relatively smooth if an alternative is provided to late night shops to switch to solar or energy efficient technologies like LED Lights, 3 Star Labeled fans, Inverter based ACs, Inverters instead of UPS etc to compensate for their over-consumption or irresponsibility.

Now let's look at the picture from flip side. Walk through markets of Karachi and you will find hardly any shop open before 1:00 pm in the afternoon. While our holy book says: "And He created night for peace and comfort".

Late going to bed not only contributes to energy woes but is making people psycho causing coronary diseases and is carcinogenic in nature in addition to disturbing education of children.

Now we see another area. There are more than 1.1 million tube well connections only in Punjab which include 200,000 on distribution companies or electric pumps/motors. Electricians when repair them do not use standard wires of copper, rather use sub-standard wires of aluminium. If they use copper, they use sub-standard gauges. And all of it is mischievously conceived. Electricians think if they use sub-standard material, motors/pumps will burn earlier forcing farmers visit their shops and pay earlier and frequent. While this is playing havoc with farmers economy, it is wasting national productivity and energy lowering GNP/GDP of the country. Further there are substandard pipes and specifications. Depth of well is more than required resulting into more energy consumed in water pumps. The potential of tube well sector is around 800MW.

Conservation at Homes

Now we come to conservation at home as "Charity begins at home". We have not trained our successive generations to conserve. Rather conservation is taboo in many sub-cultures and is looked down upon while injunction of holy book is "And do not expend more than required".

We see our streetlights on in the broad light. Our air conditions, fans, lights, desktop, laptops remain "ON" due to our attitude of indifference. The situation is frightening in places where electricity bills are to be paid by someone else like educational institutions, offices and hotels.

In fact this is crisis of our attitude-as manufacturers of appliances, as representatives of trade or market associates, as public office holders, as teacher, as parents and as policy makers especially general masses as 9 percent of hazardous gases are produced from consumer use of petroleum and industry accounts for only 10%.

Israel faces scarcity of water like Pakistan but they start teaching their children from class 3 how to conserve water. We do opposite. Pakistan as one of few countries of the world where clothes are washed in running tap water consuming up to 300 litres instead of bucket which consumes 60 litres, shave is done in running tap water wasting 6 litres instead of mug consuming half litres, cars are washed daily by running pipe water wasting 600 litres instead of air pressure pipes consuming lesser.

All this is despite we are facing acute shortage as per capita availability of water has been reduced to 925 cubic meters viz 5600 cubic meters at time of inception of Pakistan.

This over consumption is not only playing havoc with energy but is a rap with resources of mother earth. It is overstretching capacity of earth and is increasing entropy of universe and is biggest threat to survival of mankind itself.

A recent study sponsored by NASA's Goddard Space Flight Center , after analyzing five risk factors i.e population, climate, water, agriculture and energy, confirms that after few decades “everything we hold dear will come to a collapse ” because of "the stretching of resources due to the strain placed on the ecological carrying capacity"

An interesting crisis of attitude is we pay energy bills every month but hardly see the back page where valuable information how to conserve energy is printed. This crisis of attitude is more deeper with affluent and educated ones. We have seen by our experience and research that more educated lot wastes more resources and energy. One reason is their casual attitude due to affordability and second reason is their better access to sophisticated equipment consuming more secondary source of energy e.g. AC’s, geysers, desktops, floodlights.

Another flaw in attitude is that affording and affluent lot is not adapting to efficient technology due to casual attitude despite impressive payback periods. For example affluent are not replacing conventional spilt AC’s with inverter ones like GREE, Daikin etc, energy savers with LED lights despite threat of cancer, geysers with solar geysers, windows with double glazed windows, UPS with solar inverters and partial shifting of load on renewable technologies like solar and wind. We must acknowledge that each watt saved, each extra light switched off , will light the hut of another poor man or will give another Rupee to a poor man in shape of employment or opportunity as more than 99% of the energy poor lives in developing world-the largest share is with South Asia. Only in Pakistan, 71.1 million people live without electricity which is 5% of world’s electricity poors. One Megawatt is better than 3 Megawatts generated as it does not produce hazardous emissions and has no further need of capex for laying its wheeling infrastructure.

Now another issue has emerged, that this attitude of us is isolating Pakistan’s from its friends as their conscious citizenry is constantly exerting pressure on governments and aid institutions that if Pakistan’s public is not helping itself, why the taxpayers money should be spent on Pakistan. They are fully aware of our inefficiencies . Integrated Energy Sector recovery report and plan by friends of democratic Pakistan reads as “Out of the 17 million residential electricity customers in Pakistan, 38% have refrigerators (with a 67% improvement potential), 38% have water pumps (with a 50% improvement potential) and 15% have air conditioning (with a 40% improvement potential).”

The idea is we must transform our attitudes and behaviors. Energy Efficiency Culture needs to be adopted as we are emerging economy and energy consumption of emerging economies is increasing at 3.2% (Pakistan is 3.99%) around the world viz mature economies which are not worried about their energy issue as their growth rate of energy needs is only 1.1%. But they are more concentrating on efficiency and thus we see Germnay getting the highest score on Energy efficiency score board (65) and unfortunately, us , the developing economies are least bothered.

Energy Efficiency is “fifth fuel” and the most reliable in a world where cheap oil is ending rapidly either due to depletion of reserves or due to conflicts and natural catastrophes e.g we see Persian Gulf housing 65% of proven oil reserves is suffering from geo-political conflicts in Iraq, Syria, Libya etc and we See Katrina storm disrupted oil and gas production in the Gulf of Mexico. Regarding depletion of reserves, we have already siren call around, as oil production has been falling in 33 of the worlds 48 largest oil producing countries including half of OPEC. Production from existing wells is falling at 5%.

This phenomenon will catalyze poverty as more out of the kitty would be spent on oil and more fertile lands will be diverted towards biofuels leaving lesser area for staple food crops which in turn raise prices of commodities making life difficult for poor and middle income groups. At government level, balance of payments of oil importing countries like Pakistan

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would be hampered pressurizing exchange rate , making imports costlier and exports cheaper , thus reducing net income of the nations.

Wasting a single watt of energy is adding harmful gases to the environment right from its production to transmission to distribution and consumption. Fossil fuels are the biggest culprit. These gases called Green house gases have enveloped the earth and entrap sun light which is converted into heat and thus global average temperature has risen by 0.5 C in one century though there is a threat of increase by 4.5 C by the end of the century. Thus we see sever heat waves in moderate temperature cities like Karachi killing thousands in few days. The level of GHG has increased to 430ppm from 280ppm CO2 equivalent. In order to avoid catastrophe, it should be below 450ppm-550ppm CO2e. As a result of this crisis of human attitude ,we see disasters have increased four times in last 20 years as per world's leading NGO Oxfam. The number of people affected from disasters have risen by 68%, from an average of 174 million a year in 1985-1994 to 254 million a year from 1995-2004. The threat is gigantic as coastal areas will face erosion and high tidal action and sub-merging. Thus fauna and flora , sweet water and agri lands may vanish in these areas. Bangla Desh will be affected the most as 70 million people will become homeless.

WHO says this wasting attitude is causing five million extra cases of illness a year and more than 150,000 extra deaths . The need of the hour is that each individual should take moral leadership. A radical change is needed in attitudes towards environment. Energy-conservation is not a priority but survival antidote coupled with applying environment friendly energy resources like solar and wind producing 0.1 and 0.02 Kg of CO2 /KWh.

The writer is a senior policy maker and is MD of Punjab Energy Efficiency & Conservation