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"Double taxation":

SHC admits petitions for hearing

RECORDER REPORT

Sindh High Court (SHC) on Saturday accepted petitions for hearing. These petitions challenge a newly inserted provision under Section 5-A of Income Tax Ordinance through the Finance Act 2017. The petitioners moved the SHC through their counsel Dr Farogh Naseem, seeking the annulment of a newly-inserted provision under Section 5-A of Income Tax Ordinance.

On this, SHC issued notices to Attorney General for Pakistan and other respondents under order 27A CPC. Besides challenging the vires of above newly-inserted section, the petitioners have also asserted on facts that their respective income/profits have already been subjected to income tax at initial stage when the companies finalize their accounts however this newly-inserted section imposes a second taxation in case the profit is not distributed to the shareholders within a period mentioned therein.

The counsel submitted that the companies at their desire may or may not reserve this surplus amount for expansion or for other issues as the companies may deem fit and proper and such business decisions cannot be challenged legally or subjected to double taxation.

He further submitted that the issues involved in these petitions are beyond applicability of earlier judgment passed on the issue of bonus shares. The counsel further relied upon an order passed in the Suit No 1717 of 2015 where a newly inserted provision was challenged more or less having similar language which has now been challenged in these petitions. In the meantime, the SHC said, no coercive actions be taken against the petitioners under the garb of the newly-inserted section.

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IDB seeks proposals for dollar Sukuk

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Saudi Arabia""s Islamic Development Bank (IDB) has asked banks for proposals to arrange a US dollar-denominated sukuk, banking sources said on Sunday. The Jeddah-based multilateral development bank is a regular issuer of international Islamic bonds, which it raises to fund its business activities but also to promote the international sukuk market by building a liquid sukuk yield curve.

The new sukuk, which is likely to have a five-year maturity, could be issued in September or October, bankers said. The request did not indicate a specific size for the deal, but it is expected to range between $1 and $1.5 billion, they said. Banks were given a deadline of July 26 to respond to IDB""s request. Islamic Development Bank did not immediately respond to a request for comment.

IDB, a triple A rated issuer, sold its latest sukuk last April, raising $1.25 billion in senior unsecured five-year notes with a 2.393 percent profit rate. Last November, it issued another $1.25 billion five-year Islamic bond with a 2.263 percent profit rate. IDB was founded in 1973 to back development in accordance with the principles of Islamic finance.

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THE RUPEE: Modest slide

RECORDER REVIEW

The rupee somehow managed to resist sharp losses against the dollar during the week when Nawaz Sharif was disqualified by the Supreme Court. In the meantime, other experts said that supply of dollars was good but a kind of panic buying seen following the disqualification of Nawaz Sharif. It is expected that the rupee is likely to slightly fluctuate in the coming days.

INTERBANK MARKET RATES: The rupee moved in a narrow band, showing no change versus the dollar for buying and selling at Rs 105.39 and Rs 105.40.

OPEN MARKET RATES: The rupee lost 20 paisas against the dollar for buying at Rs 107.50 and it also dropped by 50 paisas for selling at Rs 108.00. The rupee also dropped by Rs 1.60 in relation to the euro for buying and selling at Rs 125.60 and Rs 126.60.

INTER-BANK MARKET RATES: On Monday, the rupee did not move sharply against the dollar for buying and selling at Rs 105.39 and Rs 105.41. On Tuesday, the rupee was almost unchanged in terms of the dollar for buying and selling at Rs 105.39 and Rs 105.40. On Wednesday, the rupee picked up six paisas in terms of the dollar for buying and selling at Rs 105.32 and Rs 105.36. On Thursday, the rupee was trading versus the dollar for buying and selling at Rs 105.39 and Rs 105.40.

On Friday, the rupee did not move any side in terms of the dollar for buying and selling at Rs 105.39 and Rs 105.40.

OPEN MARKET RATES: On July 24, the rupee-dollar parity rates not issued on Monday. On July 25, the rupee did not move any side in terms of the dollar for buying and selling at Rs 107.30 and Rs 107.50. The rupee gained 60 paisas in relation to the euro for buying and selling at Rs 124.00 and Rs 125.00. On July 26, the rupee was unchanged versus the dollar for buying and selling at Rs 107.30 and Rs 107.50. In line with the trend against dollar, the rupee also depicted no change in relation to the euro for buying and selling at Rs 124.00 and Rs 125.00.

On July 27, the rupee also did not show any change against the dollar for buying and selling at Rs 107.30 and Rs 107.50, they said. The rupee was trading in relation to euro for buying and selling at Rs 124.80 and Rs 124.80. On July 28, the rupee was unchanged versus the dollar for buying and selling at Rs 107.30 and Rs 107.50. The rupee dropped by 45 paisas in relation to the euro for buying and selling at Rs 125.30 and Rs 126.30.

On July 29, the rupee lost 20 paisas against the dollar for buying at Rs 107.50 and it also dropped by 50 paisas for selling at Rs 108.00. The rupee also shed 30 paisas in relation to the euro for buying and selling at Rs 125.60 and Rs 126.60.

OVERSEAS MARKET OUTLOOK FOR DOLLARS: In the first Asian trade, the dollar struggled near a 13-month low against a basket of major currencies on Monday as US political turmoil dampened hopes for quick passage of President Donald Trump's stimulus and tax reform agendas and the euro extended gains.

The Trump administration, already dogged by investigations into alleged Russian meddling in the US election, took a fresh hit on Friday after White House spokesman Sean Spicer resigned, highlighting the upheaval within the president's inner circle.

The dollar index, which tracks the greenback against six major currencies, was little changed at 93.887, after touching 93.823, its lowest since June 2016. The dollar was trading against the Indian rupee at Rs 64.445, the greenback was at 4.282 in terms of the Malaysian ringgit and the US currency was at 6.760 versus the Chinese yuan.

In the second Asian trade, the dollar languished near a 13-month low against a basket of currencies, with traders sceptical that this week's US Federal Reserve meeting would do much to alter the greenback's recent weak trend. The dollar index, which measures the greenback against a basket of six major currencies, eased 0.1 percent to 93.916, trading within sight of Monday's 13-month low of 93.823.

The dollar was trading against the Indian rupee at Rs 64.375, the US currency was available at 4.278 in terms of the Malaysian ringgit

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and the greenback was at 6.749 versus the Chinese yuan. Bangladesh's state grains buyer has issued another international tender to purchase 50,000 tonnes of rice, European traders said on Tuesday.

In the third Asian trade, the dollar bobbed above a 13-month low against a basket of major currencies, as investors awaited the US Federal Reserve's policy statement for clues on the course of its next monetary tightening. The dollar index, which measures the greenback against a basket of six major currencies, edged slightly higher to 94.109. On Tuesday, it fell as low as 93.638, its weakest level since June 2016. The dollar was trading against the Indian rupee at Rs 64.420, the US currency was available at 4.282 versus the Malaysian ringgit and the greenback was at 6.756 in terms of the Chinese yuan. Inter bank buy/sell rates for the taka against the dollar on Wednesday. 80.64-80.64 (previous 80.64-80.64).

In the fourth Asian trade, the dollar licked its wounds at 13-month lows against a basket of major currencies after the US Federal Reserve's more cautious wording on the inflation outlook bolstered views it might not hike interest rates again this year.

The dollar's index against a basket of six major currencies slumped to 93.26. It has fallen more than 10 percent from its 14-year high of 103.82 set on January 3. In the final Asian trade, the US dollar was broadly lower as a combination of uninspiring US economic data and political uncertainty kept traders biased toward the euro and other world currencies. The euro and other major currencies rose against the dollar after the release of US second-quarter gross domestic product estimates that largely met economists' expectations. The dollar index against a basket of six major currencies was a shade lower at 93.826 after edging up 0.2 percent the previous day.

The dollar was trading against the Indian rupee at Rs 64.195, the US currency was available at 4.279 in terms of the Malaysian ringgit and the greenback was at 6.748 versus the Chinese yuan. At the weekend, the US dollar was broadly lower on Friday as a combination of uninspiring US economic data and political uncertainty kept traders biased toward the euro and other world currencies.

The euro and other major currencies rose against the dollar after the release of US second-quarter gross domestic product estimates that largely met economists' expectations. The euro has risen nearly 3 percent against the dollar so far this month and more than 11.5 percent this year. It is on track for its third straight weekly gain and the fourth in five weeks.

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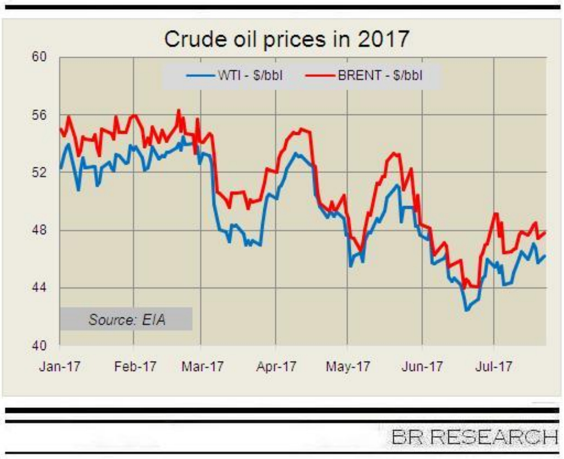
Oil prices on recovery?



BR Research

Global crude oil prices are set for their first monthly recovery in 2017 as monthly average prices cross the psychological barrier of $50 per barrel amid demand and supply rebalancing: where market demand continues to be bearish all year round, stronger demand in China and India in the last couple of months shrinking supplies due to large inventory draws recently have got the prices climbing.

The recent supply squeeze came from falling US crude oil stockpiles along with Saudi Arabia's announcement to further reduce supplies in August 2017. However, a look back at the months of 2017 shows that oil prices continued to face heightened pressure in the ongoing year. Higher than expected Libyan and Nigerian oil production, US shale's, weakening demand, Iraq's pledge to boost capacity despite promises to cut production, and OPEC's failure to match its promise of reducing supplies, all contributed to weak oil prices.

According to Goldman Sachs, demand growth in Europe, America, India and China is expected to stay strong through the second half of the year along with sustained draws through the third quarter of the year.

However, the investment bank has labelled its stance on oil prices as 'cautiously optimistic' despite rebound in oil prices as continued draws will cause short-term tightness in the physical oil market, pushing the prices into backwardation – meaning cargoes for short-term shipment priced higher than those for later delivery.

Nonetheless, crude oil prices are still as precarious as they could be. Royal Dutch Shell PLC has drawn a very bleak picture of crude oil in its recent outlook where it said it is preparing for a world in which crude prices never return to pre-crash levels and petroleum demand ultimately declines.

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Economy always matters to our politics

RECORDER REPORT

Political uncertainty impacts on several key macroeconomic indicators but particularly those sectors that relate to private sector activity, a premise that is backed by numerous global examples. Thus it came as no surprise that the immediate upshot of Nawaz Sharif's disqualification was a bearish market and the rupee eroded in value vis-a-vis the dollar. However, by the end of the day, the stock market index more than recovered its earlier losses on the back of institutional buying though the rupee value did not recover.

An explanation for the stock market recovery can be attributed to both internal and external factors - internal because the PML-N, the ruling party, is not calling for fresh elections, which would have fuelled further uncertainty. Instead the party had indicated that it would nominate a candidate for an interim set-up, to be followed by bye-election on the National Assembly seat vacated by Nawaz Sharif with Shahbaz Sharif as the candidate, who would then lead the party in the 2018 general elections. There are probably no takers on whether the same cabinet would not be reinstalled. The Supreme Court has directed that a reference be filed against former federal finance minister Ishaq Dar, given the 91 times escalation in his wealth within a short period of time, but has not disqualified him. Time will tell whether Dar would take the option to clear his name before accepting a cabinet position but based on his claim of 'not guilty' one may conclude that he would not only accept his reinstatement as the country's Finance Minister but also actively seek that position. Additionally, positive financials in the energy sector and auto sector may have contributed to the recovery in the stock market.

The external factor that no doubt also played a role in the stock market recovery is the decline in the international price of oil with Oil and Gas Regulatory Authority (Ogra) recommending a decline in domestic petrol and High Speed Diesel price by 3.67 and 5.07 rupees per litre effective 1st August; and an increase in the price of kerosene by 13 rupees per litre and of Light Diesel Oil by 10.01 rupees per litre. It is unclear whether the Ministry of Finance sans a minister can take a decision in this regard or whether some overzealous Finance Ministry official, aware that the PML-N government would be reinstalled this week, may unofficially seek Dar's advice on the matter. In this context, it is relevant to note that Marriyum Aurangzeb's statement was reported by the government news agency APP, and the report was disseminated to the media by someone's gmail address whose accompanying note exactly matched those that used to be sent by the Press Information Department (PID). Given that the gmail sender did not on-send any statements by members of the opposition does raise the distinct possibility that the email was sent by a PID official.

The rupee losing value in the open market may be attributed to a perception that Dar, under Shahid Khaqan Abbasi and Shahbaz Sharif, may not be allowed as free a hand as under Nawaz Sharif, and may be forced to abandon his flawed policy of keeping the rupee overvalued to understate his heavy borrowing from external sources, which has played havoc with the country's exports.

Investment decisions by the private sector (in industry and agriculture) are also affected during times of political uncertainty - plans for setting up new plants/purchasing inputs that would increase yield per hectare postponed and expansion of existing capacity delayed. Be that as it may, it is relevant to note that the Finance Ministry under Dar is held responsible for: (i) a decline in large-scale manufacturing output of some key industries (examples include steel products, electric tubes and bulbs) due to a punitive tax system, failure to improve business climate as reflected in Pakistan's poor rating in the ease of doing business index among other factors, with the growth rate of the sector attributed to those sectors that rely heavily on imports, for example, the auto sector; and (ii) a decline in output of major cash crops, including cotton due to failure to provide the required incentives which, in turn, accounts for transfer of area under cultivation from cotton to sugar leading to surplus sugar (sugar mill owners in this country consist of the Who's Who in politics) and given the decline in the international price of sugar the demand for an export subsidy. In other words, there is a critical need for a change in policy with respect to both industrial and agriculture sectors.

Thankfully, the Chinese Foreign Ministry has categorically stated that Nawaz Sharif's disqualification is an internal matter and that the investment game changer, the China Pakistan Economic Corridor, will continue as planned. One would hope for greater transparency in the CPEC projects than has been evident to date.

Dar's heavy reliance on borrowing not only from the foreign capital markets, and not terming it debt equity, as well as on foreign banks requires an urgent revisit. It is not clear whether the PML-N government would be able to reverse this policy given that 2018 will be an election year.

And finally, the stalled process, since 2015, of negotiating the National Finance Commission award needs to be strengthened and the Council of Common Interest be used to ease various concerns in the smaller provinces as required under the constitution.

Business Recorder would hope that with a change of Prime Minister, some major policy flaws during the last four years are revisited. This would not only be in the national interest but also in the political interests of the ruling party with general elections less than a year away.

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Economy's performance under Dar

ANJUM IBRAHIM

Over the past four years any criticism of the prevailing economic policies were dismissed as anti-government or anti-Pakistan by the Ishaq Dar-led Finance Ministry. And selected extracts from reports by multilaterals/rating agencies as well as the handful of positive reviews by a section of the foreign media were cited as proof positive that the performance of the country's economy is moving in the right direction. Articles appearing in *Business Recorder* were particularly subject to rebuttals backed by controversial data released by the Pakistan Bureau of Statistics (PBS) which was under Dar's administrative control and/or favourable analysis by external agencies/media which have been few and far between.

With Nawaz Sharif disqualified and the cabinet dissolved there is little hope that a change in economic policies is imminent. The interim prime minister as well as the prime minister who would take the PML-N into 2018 general elections, selected by Nawaz Sharif after consultations, is most likely to reappoint his entire cabinet with few, if any, exceptions. Dar, with family connections to the elder Sharif, and his political career inextricably linked to the family's political fortunes, is likely to be included in the remaining tenure of the party. And with this premise in mind today's article highlights the disturbing analysis of the state of our economy by three of the entities frequently cited by Dar as credible - Moody's, International Monetary Fund (IMF) and United Nations Development Programme (UNDP) - whose reports were uploaded on their website this month (July). The objective of this exercise is to compel the government to heed their concerns and advice and revisit an entire range of Dar's flawed policies.

Moody's and the IMF have projected in their latest reports that all is not well on the China Pakistan Economic Corridor (CPEC) front. Moody's, in its latest issuer (dated 18 July 2017), noted that CPEC will raise Pakistan government's debt to around 222 billion dollars in the current fiscal year (around 67 percent of total Gross Domestic Product) and affect the country's credit profile by increasing the balance of payments pressures at least temporarily. Domestic analysts continue to challenge the GDP figures compiled by the PBS that is under the administrative control of the Ministry of Finance which, in turn, implies that the debt to GDP ratio would be a lot higher in the current fiscal year than the 67 percent projected by Moody's; in contrast Dar's projected total public debt to GDP of 61.4 percent for the current year in the budget documents appears to be a pipedream at best or a deliberate attempt to befool the nation at worst. Contracts signed under CPEC's umbrella continue to be non-transparent prompting several local and foreign agencies as well as multilaterals to make assumptions that are vigorously refuted by former government ministers though without providing conclusive proof of any signed and sealed project specific contract.

Moody's further noted that the notional (speculative) value of CPEC-related investments is 60 billion dollars of which half (28 billion dollars) is on early harvest projects in energy, transportation and other infrastructure while the remaining investments would occur through 2030 and beyond. And even though the majority of these investments are to be financed through foreign direct investment (around 19 billion dollars), concessional loans (7 billion dollars) and grants 228 million dollars yet as per the International Monetary Fund (IMF) inflows would be 2.2 percent of GDP while outflows would be higher (repatriation of profits having hit a historical high last fiscal year) which would place further pressure on the current account deficit.

Moody's report also notes that large fiscal deficits due to low incomes, high level of tax exemptions and weak tax compliance and enforcements in spite of the recently completed IMF programme restrict government revenues and reliance on short term borrowing (the government borrowed over 4 billion dollars in 2016-17 from commercial banking sector abroad that accounted for net outflows instead of inflows) and have contributed to "very high gross borrowing requirements". And most damning of all the report indicates that at around 32 percent of GDP Pakistan's projected gross borrowing needs for the current year is

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among the highest of rated sovereigns.

Uploaded by the IMF on its website this month were three disturbing elements in a publication titled 'Pakistan Selected Issues'. First paper was titled 'Poverty, Inequality and Social safety Nets in Pakistan' which concluded that "most countries with a level of public spending on social safety nets close or lower than Pakistan tend to have lower poverty and multidimensional poverty rates;" and similar conclusions were drawn with respect to public spending on education and health. The report also noted that "size of informal sector is estimated to be large, in the range of 30 to 50 percent of the economy, above South Asia average... (and) constrains economic growth and limits the creation of high quality durable jobs."

The second paper was titled Financial Sector and concluded that "overall index of financial institutions" depth remains low relative to both South Asian peers and emerging markets average" and "from its 2007 peak it has shrunk by about 40 percent reflecting the declining size of the financial sector and the private credit to GDP ratio." And "few firms have access to bank loans or enjoy a credit line, as per World Bank's Findex data, less than 10 percent of adult population have accounts with formal financial institutions...." State Bank of Pakistan Survey for 2008-15 notes that "numbers formally served by financial system increased from 12 to 23 percent...major gaps remain" and yet again "Pakistan ranks very low against peers" and "financial exclusion of women, rural population and small and medium enterprises persists." This in turn raises questions about claims made in the Economic Survey 2016-17 notably that small manufacturing increased by a whopping 8.2 percent last year.

The final paper titled 'Fiscal Decentralization and Macroeconomic Challenges' maintains that international experience suggests that the design of fiscal federalism more than a degree of decentralization affects social and macroeconomic outcomes and argues that the role of fiscal decentralization in the seventh National Finance Commission award has been unbalanced for a number of reasons including: (i) devolution of fiscal resources was not tied to devolution of expenditure, (ii) revenue sharing arrangement posed challenges for fiscal policy making, (iii) devolution was not synchronized with strengthening public financing management frameworks at provincial level; and (iv) the award is silent on joint financing responsibilities. There are a number of recommendations for the next award, however, Ishaq Dar was repeatedly accused of foot dragging in this regard and delayed negotiations till 2017 with few expecting any progress in the remaining tenure of the PML-N.

Finally, the recently released UNDP report titled Development Advocate Pakistan mentioned three additional disturbing elements prevalent in the economy that have been cited by *Business Recorder* as well as local economists for decades, however more urgently during the past four years: (i) Pakistan's market share in exports has declined from 0.15 percent to 0.12 percent with exports now financing only 50 percent of imports in contrast to 80 percent in the early 2000 years; the report attributes this to declining competitiveness due to "penal tax regime, energy shortages, bureaucratic hassles, high import tariffs and lack of co-ordination between government tiers and departments"; (ii) the Federal Board of Revenue needs to simplify the tax code, its administration made hassle and corruption free, audit function strengthened and improved, tax facilitation made payer centric and alternative dispute resolution pout in place; and (iii) unless distribution companies (Discos) are set right fiscal losses (in the energy sector) would continue unabated.

There is therefore an emergent need for the next prime minister to revisit some of the policies during the last four years. However one would be forced to remain sceptical if Dar succeeds in retaining his pervasive control over the Finance Ministry and all its affiliated departments/organizations.

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Are we heading towards the next IMF programme?

Khaleeq Kiani

Amid political turmoil the country's internal and external accounts appear to be entering uncertain territory.

The fiscal account, after showing marked stabilisation over the past four years, has started a downhill journey as evident from the 2016-17 budget deficit that was higher than a year before as tax machinery was Rs250 billion behind target.

The external account is on an even more precarious path as all of its three key sources are going down, stagnating or not picking up.

Exports have been falling for a few years now, remittances have started to show signs of disquiet, and foreign direct investment has not been able to show a marked improvement despite the CPEC shot in the arm.

The timing of all these indicators is crucial. Politics has entered an uncertain phase with the prime minister no longer in office to take effective corrective measures.

Therefore, the question about the need for another bailout programme from the International Monetary Fund (IMF) sometime around the upcoming political transition is again gaining ground.

To begin with, the fiscal deficit for the last fiscal year is estimated to be one per cent higher than the 3.8pc target despite changing definitions of revenue and financing items and a Rs110bn cut in federal development spending.

At the heart of problem lay the inability of the government to push through critical structural reforms, particularly on account of public sector entities and the power sector.

Despite significant reductions in subsidies and imposition of massive surcharges, power companies are still far from being self-sustainable.

No wonder then, the IMF has already hinted at a need for new tax measures of around 1.5pc of GDP (around Rs500bn) during the current fiscal year. It has been warning of insufficient buffers both on the external and internal front to cope with unseen large economic shocks.

In recent months the trend of robust remittance flow from overseas Pakistanis is reversing as evident from the 3pc decline last year.

Against $19.9bn remittances in fiscal year 2015-16, Pakistanis sent home $19.3bn during the previous fiscal year. The decline was seen across the board, though major cuts were seen from important sources like the US, UK, the Middle East and Europe.

FDI inched up from $1.98bn in the fiscal year 2015-16 to $2.16bn in 2016-17, but it was not enough to compensate for the decline in remittances.

Exports, the key source of foreign exchange, have continued to tread a declining route. From a peak of more than $25bn in the fiscal year 2014, exports dropped to $20.4bn last year.

This demands a deeper engagement with the export sector to understand what ails them, and how realistically they can be supported on the basis of possible outcomes.

On top of that, the imports have continued an upward trajectory to reach $53bn at end-June 2017, leaving a massive trade deficit of almost $33bn — around 70pc higher than fiscal year 2015-16.

Consequently, the current account deficit has gone beyond $12bn, almost 148pc greater than about $5bn in 2015-16.

That leads to the critical question as to how long such deterioration in fiscal and external accounts is sustainable and how long capital markets and lending agencies could be relied upon to support declining foreign exchange reserves in the absence an institutional support of the IMF.

As things stand now, it can be safely assumed that reasonable international reserves have built on the back of an IMF programme and the resultant issuance of bonds and receipts from other lenders who follow the IMF.

The government has not been able to create sustainable sources of foreign inflows.

Therefore, when exports and remittances are declining and trade deficit widening, the stability of forex reserves would depend on the international prices of oil as the current account deficit expands.

Officials believe Pakistan may be going back to the IMF in case oil prices make any steep increase, which does not appear forthcoming in the immediate future.

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They agree that even though the PML-N government had been able to reverse deteriorating macroeconomic indicators, it could not institutionalise economic reforms as was evident from a stalled privatisation programme and bleeding public sector enterprises like Pakistan Steel, PIA and power companies.

This was the reason behind the previous IMF programme and may be the route to the next one.

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“There are still some reasonable buffers — both on the external and domestic front — that may take us past the next general elections smoothly,” a senior government official believed.

“The country would still need another programme somewhere in 2019 or 2020 depending on the oil prices and the public sector losses.”

His argument was that exports and investments could not be expected to show sudden improvements and the revenue side was struggling to make deep rooted inroads into the revenue base.

While there is no immediate threat to macroeconomic stability, this is also not sustainable for a longer period and would depend on the revenue base, public sector losses and external inflows

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Can a stable monetary policy cover up fiscal 'indiscipline'?

Mohiuddin Aazim

Markets have grown used to witnessing a discord between monetary and fiscal policies.

To what extent and for how long a stable monetary policy can cover up fiscal indiscipline is a subject worth probing by monetary economists.

Not only did former finance minister Ishaq Dar react sharply to the State Bank of Pakistan's (SBP) July 5 move of letting the rupee fall by 3.1 per cent in one go, he also reminded the nation of the presence of a fiscal and monetary coordination board that he thought should have been consulted in case the central bank wanted a major exchange rate readjustment.

One expects that the minister would be equally perturbed over fiscal indiscipline which, at times, makes it difficult for monetary policy makers to set policy direction. The SBP, in its latest monetary policy review, has once again kept its key policy rate unchanged at 5.75pc. And it has cited many plausible reasons for the decision.

But let's take a quick look at some facts.

Fiscal deficit has shot through the target, government borrowing remains excessively high, circular debt of the power sector is being restructured, tax collections are not only short of target but continue to remain at around 50pc of the tax capacity, and development budget disbursements still remain short of the original targets.

"All these things are symptoms of continued fiscal indiscipline," opines a source close to the monetary policy committee of the SBP. "Whether, and how, a stable monetary policy can be helpful in promoting economic growth amid such fiscal indiscipline must be examined for improving the quality of policy inputs."

While announcing its monetary policy decision, the central bank gave a crisp account of some current macroeconomic indicators besides detailing its own assumptions.

And as expected, it reminded the nation that "underperformance of both exports and workers' remittances greatly impinged upon the current account deficit which reached $12.1 billion in FY17 (from just $4.867bn in FY16)."

The SBP also gave a veiled warning that this ultra-high current account deficit "highlights near-term balance of payments challenges."

"Weaknesses in the export sector could have been plugged had our fiscal managers been more prudent in dishing out an incentive package for certain export industries," says a former member of the monetary policy committee. "They are there without ensuring whether they are helping exports grow or whether the incentive money could be used better elsewhere for export promotion, such as capacity building and innovation."

"This is one example of how fiscal imprudence can dilute the benefits of a stable monetary policy (stable interest rates for exporters in this case)," he says.

Similarly, when overdue export rebates keep building up, their effect on export performance is bound to dilute export competitiveness gained in a stable interest-rate regime, business leaders say.

The SBP has left its key policy rate unchanged citing its own projection of a lower than targeted headline inflation rate (4.5 to 5pc against 6pc), adding that this projection is based on "lower than anticipated international oil prices, recent behaviour of CPI [Consumer Price Index] inflation in June 2017, stable administered prices and lower inflationary expectations."

It also says that headline inflation "is expected to remain lower than the earlier outlook … mainly on the back of favourable supply conditions."

Whereas growth in large-scale manufacturing (LSM) and higher private sector credit flow in FY17 are two strong indications that supply conditions may remain favourable, the twin developments combined with high growth in imports are sure to keep domestic demand up, creating demand-induced inflation.

So, it is difficult to predict whether inflationary expectations would also remain low, more so if the fiscal belt is not tightened; the possibility of which is remote in a pre-election year.

In the first 11 months of the outgoing fiscal year, LSM grew 5.7pc against just 3.4pc in the year-ago period. And private sector credit distribution reached an all-time high of Rs748bn in FY17 against Rs446bn in FY16.

Part of the credit for these developments goes to a stable monetary policy that kept the cost of formal finance for businesses in check.

“But it’s time to undertake a study on the financing mix of the private sector and what the percentage of its cost of bank borrowing is in relation to the cost of production,” suggests a former deputy governor of the SBP.

“The answer to the second part of the question will help the central bank make more informed decision on policy rate setting.”

In the last fiscal year, the government chose to borrow heavily from the central bank and less from the banking system.

Net government borrowing from the SBP totalled Rs908bn in FY17 against net retirement of Rs487bn in FY16. Its net borrowing from scheduled banks totalled Rs179bn, only a friction of what it had borrowed from them a year earlier — Rs 1.28tr.

Though switching over from central bank borrowing to scheduled bank borrowing in one year, and doing the opposite of it can often make sense, it should not become a trend.

“More prudent fiscal management requires a right balancing between the two sources of funding fiscal deficit. This, too, is a sign of fiscal indiscipline and it has implications for the banking system.

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Money Market

Bank borrowing increases by 2.55pc

From Inpaper Magazine

The government raised Rs54.475 billion from the auction of Pakistan Investment Bonds of various tenors held last Thursday, smaller against the received bids of Rs75.648bn.

It generated Rs23.148bn from ten year PIBs at a cut off yield of 7.9360pc, followed by three year PIBs Rs20.869bn, at 6.4091pc and Rs10.457bn from five year bonds at 6.8961pc.

Three year PIBs attracted the highest amount of Rs35.5bn, followed by ten year PIBs Rs24.535bn, and five year PIBs Rs15.612bn. No bids were received for 20 year bonds.

Investments of all scheduled banks fell by 0.23pc against the preceding week

According to the weekly statement of position of all scheduled banks for the week ended July 14, deposits and other accounts of all scheduled banks stood at Rs11,685.139bn after a 0.96pc decrease over the preceding week's figure of Rs11,798.262bn.

Compared with last year's corresponding figure of Rs10,156.160bn, the current week's figure was higher by 15.05percent.

Deposits and other accounts of all commercial banks stood at Rs11,615.648bn against preceding week's deposits of Rs11,732.171bn, showing a fall of 1.00pc.

Deposits and other accounts of specialised banks stood at Rs69.491bn, lower by 5.14pc against previous week's figure of Rs66.091bn.

Total assets of all scheduled banks stood at Rs16,297.169bn, lower by 0.67pc over preceding week's figure of Rs16,406.568bn. Current week's figure is higher by 9.74pc compared to last year's corresponding figure of Rs14,850.919bn.

Total assets of all commercial banks stood at Rs16,040.509bn,smaller by 0.67pc over previous week's figure of Rs16,151.949bn, while total assets of specialised banks at Rs256.660bn, were higher 0.80pc over the previous week's Rs254.619bn.

Gross advances of all scheduled banks stood at Rs6,072.443bn, higher by 0.13pc over the preceding week's figure of 6,064.397bn. Compared with last year's corresponding figure of Rs5,159.835bn, current week's figure is higher by 17.68pc.

Advances by all commercial banks increased to Rs5,901.518bn from previous week's Rs5,893.771bn indicating a rise of 0.13pc, whereas advances of specialised banks stood at Rs170.926bn against previous week's 170.626bn.

Borrowings by all scheduled banks increased in the week under review. It rose by 2.55pc to Rs2,513.709bn against previous week's Rs2,451.263bn.

Compared to last year's corresponding figure of Rs2,687.820bn, current week's figure is lower by 6.48pc.

Borrowings by commercial banks in the week at Rs2,420.541bn were higher by 0.40pc against previous week's Rs2,411.130bn. Borrowings by specialised banks stood at Rs93.167bn against the previous week's Rs40.133bn.

Investments of all scheduled banks stood at Rs8,081.760bn against preceding week's figure of Rs8,100.049bn, showing a fall of 0.23pc. Compared to last year's corresponding figure of Rs7,855.945bn, current week's figure is higher by 2.87pc.

Investments by all commercial banks stood at Rs8,033.016bn, smaller by 0.79pc against preceding week's figure of Rs8,053.663bn, whereas investment by all specialised banks stood at Rs48.744bn against preceding week's figure of Rs46.386bn.

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Economic ministries at a complete standstill

Mubarak Zeb Khan

The Supreme Court last Friday disqualified Prime Minister Nawaz Sharif from holding public office in a decision on the Panama Papers case.

Shortly after, the prime minister stepped down from his post “despite reservations”, according to the PM house.

Apparently, this should end the logjam in government functioning and move the country forward. The transition has to be swift to let the markets return to normal with the government machinery functioning.

Since the case started, instead of focusing on implementing the ambitious budgetary measures, cabinet members and officials have been busy in dealing with political matters.

“There is a slowdown in economic ministries”, a senior government official claims, most of these departments, especially the Federal Board of Revenue, have been preoccupied with the investigation.

In its fifth budget, of the current five year term, the government announced an ambitious development plan to woo voters ahead of the next election. However, the political preoccupation of economic ministers has hampered the implementation of budgetary measures.

A major promise was to revise the valuation table for the real estate sector. But the finance ministry informally directed the FBR not to proceed on the subject for the time being.

The newly appointed Chairman FBR, Tariq Pasha, dismissed the argument. He said the FBR has nothing to do with the politics. “We are bureaucrats and will have to do our job”, he claimed while responding to a query of this scribe.

The most powerful minister, Ishaq Dar, will also face a reference in the accountability court on corruption charges in the wake of the SC judgement. He was heading several important forums of the federal cabinet.

It is not clear if Mr Dar will be part of the next cabinet or not. But, a businessman from Karachi was of the opinion that a new person for the slot will be good for the business community.

He thought Mr Dar was a tough person, not inclined to accommodate businessmen’s demands.

The FBR Chief, Mr Pasha, said it was hard to quantify the impact of the premier’s disqualification on the country’s revenue collection.

“You may see the impact of this decision on revenue collection in the current month when the figures are finalised by July 31”, he said.

The commerce ministry also appears to be affected by the political debacle although a ministry source gave other reasons for the slow pace of progress.

“I don’t think the non-implementation of the trade policy is because of the Panama case”, an official commented. He said it may be because of inefficiency within the ministry.

Officials in the board of investment were more worried. “There is political uncertainty in the wake of the SC judgement”, an official source said, elaborating that the situation gives foreign investors a negative signal.

Asked whether the SC judgement has had an impact on the CPEC related projects, the official said everything was moving as per schedule. “We are receiving Chinese delegations as per the agreed schedule”.

Commenting on the situation, a senior officer of the prime minister’s secretariat said, “These are difficult times though such things have happened in the past. It’s good that the political system is on the course to maturity. We have still a long way to go”.

“Please do appreciate the jolts that this government has seen in the last three years which could have taken care of any government long ago, a few years back. To me these are positive signs”, the official said.

“When the government is kept engaged three out of four years fighting for survival, how do you expect it to reform and focus on important issues”, he commented.

FPCCI President, Zubair Tufail, said private businesses are doing their job as per normal routine. However, he hoped the next premier will be elected soon.

Mr Tufail said there will be no impact on the implementation of policies. He said the bureaucrats will work according to the law. “We expect no change in economic policies”, he stated.

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For Mr Tufail the important issue is of the early release of exporters refunds. He said he expects the government to clear outstanding refunds by mid of next month.

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Sindh performance on Rs8.9bn project remains below par

Mohammad Hussain Khan

A mid-term review of the multibillion-rupee Sindh Agricultural Growth Project (SAGP) is scheduled for September to assess the progress of its two main components, i.e. agriculture and livestock.

However, progress on the agriculture component remains below par due to the government's mishandling of the plan, and those connected with the project believe that agriculture funds or part of them may be diverted to the livestock component where progress has been better so far.

The World Bank-funded project, launched in 2014, focuses on promoting good agricultural practices and controlling pre- and post-harvest losses, and is a vital project for chilli, dates, onion, rice and livestock.

In a February meeting, World Bank representatives expressed concern about the slow pace of progress and advised measures to speed up work

The SAGP's portfolio review was held in February in which the World Bank's representatives expressed concern about its slow pace of work and advised some measures to speed up its progress significantly, according to an official of Sindh's Planning and Development Department. The official agrees that the project cost for both sectors needs revision to respond to farmers' requirements.

As far as the agriculture component is concerned, the SAGP was hit by hiccups from day one. It was denied ownership by the government which was evident from frequent transfers and appointments in the agricultural department.

The project involves a cost of Rs8.87 billion. Of this, farmers have a share of Rs1.23bn, including Rs1.17bn in agriculture component and Rs52.79 million in livestock. World Bank's loan is estimated at Rs5.06bn for agriculture and Rs2.58bn for livestock, taking the total credit to Rs7.64bn.

Sources at the Sindh planning department say that Rs388.45m has been spent on agriculture and Rs573.28m on livestock against an allocation of Rs1.16bn until May. For the current fiscal year, Rs1.2bn has been allocated to agriculture and Rs997.5m to livestock.

The progress on the livestock component, which stood at 60pc by June, is likely to be near 80pc by the September review, says its project director Nazeer Kalhoro.

Around 83 groups of milk producers have been formed and two solar-powered projects of chillers have been installed in Mithi district. However, the chillers' capacity has been cut to 500-600 litres from the planned 1,000 litres due to less per-animal milk production.

Besides, a supply chain is being developed and milk producers have started getting Rs47 per litre compared to Rs35 earlier.

However, some senior officials of the livestock sector believe the progress is unsatisfactory. For instance, the number of chillers (i.e. two) is pathetically low; an artificial insemination training institute has yet to be established in Tando Jam although the project has entered its third year of implementation; and only 20 veterinary hospitals and centres have been rehabilitated out of 120.

But the real worry is the agriculture component as work has been delayed due to belated funds' utilisation and procurements. An official who was previously related to the project observes that the agriculture department still has time to capitalise on the SAGP through transparency and hard work.

He proposes that when the mid-term review in September is held, growers and officials should sit together to ensure efficiency in the SAGP with realistic assessment and discuss ways to overcome shortcomings.

Various growers' focal groups were formed under the SAGP. Exposure visits of onion and date palm growers were organised for international linkages which are not seen as desired. Chilli growers, however, feel the SAGP is important as it targets all growers in chilli-producing areas for the provision geo textile and cover sheets, crates and tyvek bunch covers.

Their use avoids contamination of harvest by dust and rain. Such items were previously also provided under a foreign assistance to produce aflatoxin-free chilli. Prices of chilli are now going up due to better quality.

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Chilli's harvest coincides with rain and growers want construction of elevated platform under the SAGP to handle crop during rains.

However, growers of date palm say PC-I of the project needs revision as it doesn't meet their requirements. PC-I is a document that covers almost all aspects of the project.

Under the SAGP, bids are to be re-advertised to import around 3,000 plants of foreign varieties majool, khalas, barhaee and other varieties. Previous bids involved a cost as higher as Rs29,000 per plant. Qasim Jaskani, who is in charge of the focal group on date palms, wants the number of imported plants increased to replace undersize aseel variety. He said that establishment of tissue culture laboratory is also needed besides maturation and cold storage plants.

For controlling post-harvest losses in rice, which are around 30pc to 40pc, 13 thrashers have been provided to farmers. But according to Gada Mahesar, head of the rice focal group, old-model thrashers are being provided.

The SAGP also aims to increase onion seed and bulb production besides controlling pre- and post-harvest losses. Equipment like seed thrashers, onion diggers and cutters graders are to be provided and drying plants would be set up.

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The mystery of economic growth

By Ihtasham Ul Haque

Pakistan's decade long subdued GDP growth rate would significantly improve to over eight percent following the commissioning of multi-billion dollar China-Pakistan Economic Corridor (CPEC) by 2030. But before that, five percent plus growth rate is getting unattainable due to factors including economic slowdown and poor governance across the country.

So far the government's claims of achieving 5.3 percent GDP growth rate in 2016-17 is being consistently challenged by independent economists, former finance ministers and central bank governors, as well as the ex- deputy chairmen of the Planning Commission of Pakistan.

They all accuse the finance minister and his economic team of large-scale statistical manipulation in the area of economic growth, revenues, expenditures and budget deficit. Interestingly, after a long time the World Bank, IMF and the Asian Development Bank (ADB) are also disagreeing with the government about its GDP growth rate in the last financial year.

With 16.4 percent decline in electricity production and seven percent fall in industrial consumption of electricity, how can there be 5.3 percent growth. How can there be plausible GDP growth with a small tax base, declining labour force, rising unemployment and income inequality, poverty, falling exports and increasing imports, and diminishing home remittances and forex reserves?

The general belief is that the projected growth rate was to show good performance and meet IMF targets in the $6.2 billion extended fund facility. However, now the International Financial Institutions (IFIs) are on the same page as independent economists who said last year GDP growth rate was 4.3 percent and not 5.3 percent.

"Pakistan Bureau of Statistics (PBS) has overstated the GDP growth rate in an attempt to show faster economic progress under the PML-N government," said former finance minister Dr Hafiz A Pasha. He said calculations made by a group of MPhil/PhD students of economics revealed growth rate was between 4.0 percent to 4.4 percent and not 5.3 percent as reported by PBS and followed by other government agencies. This group, he added, tends to agree with independent economists that higher growth rate was not possible when major economic indicators did not perform during the last financial year.

He called the rate unlikely and unrealistic when agriculture growth was at 2.5 percent, industry at four percent, and services sector at 5.2 percent, while the commodity producing sectors showed limited buoyancy.

The objective of the PBS and other agencies, Dr Pasha said was to show that for the first time in a decade, the economy crossed the five percent threshold and was now on a higher trajectory.

"I do not have to hide the fact that Pakistan is the worst performer in terms of investment, savings and exports as a percentage of the GDP when compared to India, Bangladesh and Sri Lanka. Also, the average growth rate from 2012 to 2015 was Pakistan's lowest and, therefore the claim of 5.3 percent achieved last year does not make sense," he added.

Economist Sakib Sherani also reiterated Dr Pasha's stance about lower growth. "But for me growth rate of 2015-16 was understated by 1.5 to 2 percent, which was revised downward from 4.7 percent to 4.3 percent."

He explained the term "hidden box" by saying that when things were not revealed and kept secret and could not be checked and verified, it became difficult to gauge the prevalent GDP growth rate. Small scale manufacturing was posting eight percent growth for the last 15 years or so, but it was not supported by verifiable statistics. Most of the growth, he pointed out, had been coming from the informal sector or through the profit of State Bank of Pakistan (SBP) and increase in the salaries of the government employees. There is no credible growth coming from the real sector and this casts doubts over the PML-N's claim of achieving higher GDP growth rate, Sherani said

"Claims of higher growth rate could well be accepted when IFIs and private economic think tanks and independent economists think alike," the former economic advisor to the ministry of finance said, and advised the official agencies to come clean by working out credible macroeconomic data.

Investment, especially Foreign Direct Investment (FDI) is a very important component that is considered vital in terms of working out a credible GDP growth rate. In Pakistan's case, private investment kept falling,

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despite that the government claimed improvement in the investment climate, which it said was possible due to improved security environment, fall in the interest rates and greater access to credit by the private sector.

If that is true, why does private investment, both domestic and foreign, continue to fall? It peaked at 13.5 percent of GDP in 2006-07 and later fell to 10.2 percent of GDP by 2015-16. It declined further to 9.9 percent of GDP in 2106-17. The fall of investment was particularly witnessed in the manufacturing sector which went down by 40 percent from the peak level.

As far as FDI is concerned, it peaked in 2007-08 at $5.5 billion; since then, it has been declining and is averaging less than $1 billion a year. Despite that the $54 billion CPEC project brought $2.5 billion investment last year to help undertake infrastructure and energy related projects, FDI flows remained small and further declined by about 10 percent in 2016-17 - 23 percent below the target.

China has emerged as a major foreign investor having a 41 percent share, but overall FDI in the power sector fell by 40 percent in the first ten months of the last financial year.

Since the domestic investor is shy of investing in the country, foreign investor is equally reluctant to do so. A number of multinational companies have already left Pakistan due to one reason or the other.

Portfolio investment by foreign investors also declined over the years, though they were earning a good profit. There had been a flight of capital by the local investors because of growing political uncertainties in Pakistan. This flight of capital at times averaged $20 to $25 million a month. Many local investors and businessmen shifted their industries to other counties including Malaysia, Sri Lanka and UAE.

Part of the problem is the setting of unrealistic targets by every successive government in Pakistan to achieve higher GDP growth rate. The issue gets compounded when rulers opt for IMF emergency lending programme. This forces the governments to accept checks and balances with IMF officials sometimes getting involved in nitty gritty of things.

Now, it all depends on the ‘political will’ of the rulers to decide whether they want their own wellbeing or the welfare of the state. They have to decide about fundamental structural reforms in key sectors of the economy to ensure new economic, political and social contract to attain higher GDP growth rate.

The writer is a senior journalist based in Islamabad

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Tackling corruption after verdict

By Zeeshan Haider

The unanimous decision of the five-judge Supreme Court bench has sent packing prime minister of the country in the famous Panama Papers case.

The court ordered immediate disqualification of Nawaz Sharif for failing to declare his undrawn salary as chief executive officer of a firm set up by his son in his nomination papers for the 2013 elections.

The court also ordered the National Accountability Court to refer corruption references against Sharif, his heir-apparent Maryam Nawaz Sharif, his sons, his son-in-law as well finance minister Ishaq Dar, who is also related to Sharif family, for trial to an accountability court.

Sharif's PML-N party, as expected, has expressed disappointment at the judgment while its opponents hailed the decision hoping that it would set off a genuine accountability process in the country.

The judgment has also triggered a heated debate among with the legal community of the country with some praising it as a best possible decision while others finding flaws and lacunas in it.

Irrespective of the political and legal implications of the judgment, one wonders whether this could help tame the monster of corruption which has spread its tentacles in almost all aspects of our national life.

Corruption has been highlighted as one of the main reasons for the poor state of country's economy in the past many decades.

According to some estimates, Pakistan incurs losses worth 12 billion rupees daily because of corrupt practices. Tax evasion by our ruling elite constitutes the major part of these losses.

A cursory look at the Parliamentarians Tax Directory released by the finance ministry last week showed tax paid by most of our wealthy parliamentarians does not match their lifestyles.

For example, former Prime Minister Nawaz Sharif, who heads undoubtedly one of the richest families of the country, paid paltry 2.52 million rupees in taxes in the last financial year.

His brother and likely successor as prime minister, Shahbaz Sharif, paid taxes worth 9.53 million rupees.

Same is the case for many other well-to-do parliamentarians.

And if properly probed, it is not just politicians but majority of influential figures from our powerful ruling elite would be found to be living beyond their known means of income.

It is because of this reason that our foreign friends and donor countries of late have been telling us they could no longer tax their own people to feed us.

In 2010, when Pakistan was hit by one of the biggest calamity of its history in the shape of massive monsoon floods, the then U.S. Secretary of State Hillary Clinton told Pakistan it needed to do itself to recover itself from the devastation and should not solely rely on aid from her country or Europe.

"The international community can only do as much," the former U.S. presidential candidate said in a blunt statement.

"It is absolutely unacceptable for those with means in Pakistan not to be doing their fair share to help their own people while the taxpayers in Europe, the United States and other contributing countries are all chipping in to do our part."

Same warnings came from our other friends but unfortunately no tangible measures have been taken to rectify the wrongdoings.

A million dollars question is how a credible process of accountability could be put in place in the country to stem this damning rot.

Pakistanis in general believe in quick-fix solutions and that's why many of them argue that the recent Supreme Court verdict could set in motion a credible accountability process which would help catch big fish.

But if history of Pakistan is any guide then many accountability processes launched with much pomp and show ended up without a whimper.

The first government of Benazir Bhutto was dismissed by President Ghulam Ishaq Khan in 1990 on charges of corruption and a promise was made that a genuine accountability process would be launched but it later turned out to be a vilification and victimization campaign.

In 1993, Nawaz Sharif government was also dismissed on the same grounds which were though later restored by the Supreme Court but it had to send packing because of irreconcilable differences between the president and prime minister.

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Former military ruler, General Pervez Musharraf, also promised to cleanse the national polity of corruption but he himself struck political deals with those he had accused of being corrupt. Moreover, his aides cobbled together a political base for him with politicians with careers tainted with corruption.

Pakistani politicians, to some extent, are justified to complain that they have always been singled out for accountability in the country which ultimately ended up in their victimization but they should also be blamed for failing to take concrete measures to establish a genuine accountability process in the country.

The dismal performance of the institutions meant to tackle corruption like NAB, Federal Investigation Agency has forced the people to look towards other institutions for justice and accountability.

The Transparency International while releasing its Corruption Index for 2016, maintained that when traditional politicians fail to tackle corruption, people grow cynical.

"Increasingly, people are turning to populist leaders who promise to break the cycle of corruption and privilege."

Yet, it says, this is likely to exacerbate – rather than resolve – the tensions that fed the populist surge in the first place.

The ineffectiveness of the NAB in tackling the corruption was highlighted during the court of Panama Papers case hearing when the NAB chairman refused to re-open the Huddaibiya Paper Mills case involving Sharif family despite prodding from the court.

The court mentioned the stubbornness of the chairman NAB in its judgment on April 20 and that's why in its latest judgment it ensured that he has no role to play in investigations when the corruption cases are referred to the accountability court for trial.

We should keep in mind that scourge of corruption could not be tackled through miracles or quick fixes but through a credible accountability process.

This process could not be made effective unless the institutions and departments meant to tackle corruption are made powerful and independent of any kind of influence from any other authority.

Though many genuine questions are being raised with regard to the accountability of Nawaz Sharif and family but the former prime minister should also share the blame that no serious and genuine step was taken under his government to set up a trustworthy accountability process.

For political reasons he may tout the judges remarks that no misuse of public funds or corrupt practice is established against him but he should also take responsibility for failing to address concerns over growing corruption.

Interestingly, Imran Khan, who takes the credit of taking his anti-corruption case against Sharifs to its logical end, too has failed to mount a genuine accountability process in Khyber Pukhtunkhuwa where his party is in power.

Irrespective of the legal questions being raised on the Supreme Court judgment on petitions relating to the Panama Papers revelations, it would be interesting to see whether it would make a new history for Pakistan or would it be repeat of the old one.

The writer is a senior journalist based in Islamabad

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No oil, gas exploration lease awarded in past 4 years

Fawad Yousafzai

ISLAMABAD - The government didn't award any oil and gas exploration lease during the past four years of its tenure, it has been learnt.

Although haughty claims were made by various government officials, however ground reality is totally different as no fresh Exploration lease was granted by the Ministry of Petroleum and Natural Resources, official sources told The Nation. Directorate General of Petroleum Concession is responsible for award exploration leases and bringing new investment, however it hasn't produce any tangible results. There are several challenges faced by the DGPC which includes the shortage of workforce, companies employees are deputed to work in the most sensitive department, delay in reorganisation of DGPC.

In a letter addressed to the Ministry of Petroleum and Natural Resources, Pakistan Petroleum Exploration and Production Companies Association (PPECA) has complained about the delay in awarding new exploration leases. According to the letter, the last bidding round of award of new exploration block licenses took place in March 2013; thereafter, more than 25 requests(as per PPIS annual report 2015-16) for award of blocks were made by E&P companies which are still pending. "As you are aware that sustained exploration activity and maintaining investor interest requires regular grant of new blocks," the letter added.

"We understand that one of the key hurdles to the fresh invitation of bids is the obtaining of NOC/security clearance from the law enforcement agencies as well as provincial authorities. However, section 3.2 of the Petroleum Policy 2012 clearly mentions that No area clearance would be required for concession blocks falling inside the white/green areas."

"Given that most of the pending requests are for the areas that were previously part of awarded concessions (and hence security cleared) we feel that security clearance should not be an impediment. We therefore urge you to expeditiously issue invitation to bid as entailed in section 3.2.1 of the policy for the award of the pending new block applications rather than waiting for another bidding round. This is all the more important in an environment where foreign investors have either exited or are in the process of exiting the country," the letter said.

"We have also not been also not been able to acquire a copy of map of White/green areas mentioned in all petroleum policy documents issued by the government," the letter said. It is pertinent to mention here that in a letter to the Defence Ministry, Director General of Petroleum Concessions (DGPC) has asked that so far clearance of none of the 41 blocks except 'desert' has been provided due to which the petroleum ministry has been unable to initiate the bidding process for awards of blocks.

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Chinese cos to invest in power generation: Minister

APP

LAHORE: - Chinese companies have shown willingness to invest in power generation by using solid waste as raw material in Punjab. Punjab Minister for Local Government Manshaullah Butt announced this while speaking to PML-N workers and government officials at the airport here on Sunday after returning from China along with a 14-members delegation. The minister and his delegates attended a road-show in China on the direction of the Punjab chief minister in which almost 200 companies participated.–APP