January 2016

NEWS COVERAGE PERIOD FROM JANUARY 25TH TO JANURAY 31ST 2016

IMF WANTS 27PC CUT IN DEVELOPMENT SPENDING FOR MEETING FISCAL TARGETS

Dawn, January 27th, 2016

ISLAMABAD: The International Monetary Fund (IMF) wants Pakistan cut its overall development budget by 27 per cent to keep fiscal deficit within limits and make up for revenue shortfall during the current fiscal year.

Based on discussions with the authorities led by Finance Minister Ishaq Dar, the IMF expected the government to limit the development programme by 26.56pc or at Rs1.111 trillion against Rs1.513tr approved by parliament and four provincial assemblies in June 2015.

For achieving this target, the Fund has estimated that the federal government will need to limit Public Sector Development Programme (PSDP) expenditure at Rs611bn, down 13pc, against Rs700bn authorised by the parliament.

On the other hand, the cumulative annual development plans of the four provinces would be reduced to Rs500bn, down 38.5pc against Rs813bn announced by the four provincial assemblies.

As part of the IMF programme, the government has set a limit on the country's overall fiscal deficit at 4.3pc of GDP including 0.3pc expenses for military operations against terrorists in the tribal region and resettlement of temporary displaced persons (TDPs).

To facilitate completion of ninth quarterly review and secure disbursement of $500m tranche in December 2015, the government had confirmed to the IMF last month that it had missed budget deficit target in the first quarter of 2015-16 but promised to "remain committed to sustained fiscal consolidation".

To place the debt-to-GDP ratio on a firm downward trajectory, bolster macroeconomic stability, and set the stage for sustainable and inclusive growth, the government assured the IMF to remain determined to lowering the budget deficit excluding grants to 4.3pc of GDP this fiscal year and to 3.5pc by the end of the IMF programme in 2016-17, mainly through revenue mobilisation and expenditure rationalisation across all layers of government.

This was aimed at creating the much-desired fiscal space for priority spending on infrastructure, education, healthcare, and targeted social assistance to improve living standards and to protect the most vulnerable segments of society.

Towards that end, the government reported to the IMF that provincial governments had given in writing to contain their expenditures and continue to manage budgetary spending prudently and strive to achieve their contribution to fiscal consolidation.

"To assure achievement of our fiscal targets in 2015-16 and beyond, the provincial finance secretaries have agreed in writing to increase budget surpluses consistent with the programme," the government wrote.

To this end, total provincial spending will be maintained at 6.5pc of GDP in 2015-16, with total provincial-own-tax and non-tax revenues standing at 1.1pc of GDP.

The finance ministry said the centre was intensifying interaction with provincial authorities at a higher level to arrive at a mechanism to strengthen the provinces' fiscal commitment for 2015-16. It said it was also holding quarterly meetings among the federal and provincial finance secretaries to review fiscal performance and coordinate spending priorities to correct any slippages in a timely manner.

Moreover, the government planned to again prepare contingency measures as needed and reduce expenditure allocations in the first nine months of the year compared to the budget to create a fiscal buffer against any deviation away from the IMF programme target.

The government also promised that additional budgetary spending as result of the reclassification of some non-plan loans (0.1pc of GDP) will be made through re-allocation of existing capital expenditure plans, including at the provincial level. The additional budgetary spending related to the new agricultural spending package (0.1pc of GDP) will be absorbed within recurrent spending.

The government also committed to continue working towards reducing energy subsidies (including amounts for arrears clearance) to 0.4pc of GDP in 2015-16, from 0.8pc in 2014-15. To protect against a potential negative outcome of legal challenges to electricity surcharges, the government will take mitigating measures as necessary.

http://www.dawn.com/news/1235562

IMF ADVISES GOVERNMENT TO FURTHER BOLSTER FOREIGN CURRENCY RESERVES
Mehtab Haider

The News, January 28, 2016

ISLAMABAD: The International Monetary Fund (IMF) has asked Pakistan to further bolster its foreign currency reserves through various means, including spot purchases by the country's central bank during the remaining period of the current fiscal year.

Pakistan and the IMF teams have kick-started review talks in Dubai and first technical round will be completed by the end of the ongoing month.

The policy level talks will be held from the next week whereby Finance Minister Ishaq Dar will lead Pakistani delegation and Herald Finger will lead the IMF team. The policy level talks will be concluded on February 4 and Herald Finger is expected to visit Islamabad for holding joint press conference in case of the agreement on 10th review between the two sides.

"We have met the end December target on (Federal Board of Revenue) FBR's tax collection target so the elimination of more tax exemptions will now be tabled into the parliament along with next budget 2016-17," a top official of Pakistan's economic team told The News from Dubai on telephone on Wednesday.

On net international reserves, the State Bank of Pakistan (SBP) continued spot purchases in the current fiscal year and it will continue buying in the remaining period of the current fiscal for further increasing the foreign currency reserves.

The SBP has continued with spot purchases of foreign exchange, netting $750 million in first quarter (July-September) for financial year 2015/16 to further raise the reserve coverage and bolster resilience against external shocks.

While the expected tightening of global financial conditions and possible turbulence in international financial markets can affect near-term capital inflows, the IMF staff and Pakistani authorities agreed that further accumulation of reserves is desirable as the balance of payments position remains vulnerable.

The Fund staff noted that further accumulation could also help arrest the recent trend of real effective exchange rate appreciation, which has been eroding competitiveness, although staff agreed with the authorities that a range of other issues (such as electricity shortages, security issues and the business environment) are adversely affecting it as well.

The IMF assessed that Pakistan's program financing needs (estimated at $7.2 billion or 3.2 percent of GDP) are fully covered for the current fiscal year (the remainder of the program).

The disbursements from multilateral and bilateral partners (including about $2.6 billion from the World Bank and the ADB) are expected to cover most of the financing needs.

Pakistan has an access to international markets, which reduce financing risks going forward.

The reserves situation has continued to improve to cover almost four months of imports, but further accumulation is needed to meet adequacy norms measured by the Fund's ARA metric.

The Fund's exposure to Pakistan increased with the disbursement made upon approval of the eighth review, reaching SDR 3.24 billion (about $4.5 billion and 7.0 percent of total external debt) at the end September 2015.

Pakistan's capacity to repay the Fund has been strengthened by supportive policies, improved foreign exchange buffers on the back of strong remittances and low oil prices, and a lower budget deficit.

However, the materialisation of risks to the economic outlook could erode these gains, particularly in the context of the Fund's exposure increasing further with new extended fund facility program disbursements, the IMF concluded.

http://www.thenews.com.pk/print/94182-IMF-advises-government-to-further-bolster-foreign-currency-reserves

SINDH SEEKS $250M FROM WORLD BANK FOR DISASTER MITIGATION
Dawn, January 31st, 2016

AMIN AHMED

ISLAMABAD: The Sindh government has requested the World Bank to provide $250 million for a project aimed at mitigating natural disasters in the province.

The project, 'Disaster and Climate Resilience Enhancement Programme', envisages improving and rehabilitating degraded reaches of embankments and levees of the Indus, besides the construction of small detention dams in water-scarce districts.

The first phase of the project will focus on improving systems in the provincial government and agencies concerned to manage risks associated with natural disasters.

According to a World Bank report, discussions with the Sindh government have established floods and droughts as areas of high priority due to their high frequency and impact. During the deliberations, the two parties agreed that an estimated $250m would be urgently needed to address the issues.

Sindh's location and climatic conditions render it vulnerable to various natural disasters. These include floods in urban and riverine areas, flash floods, cyclones, earthquakes, droughts, wind storms, tsunamis and sea intrusion.

Moreover, the geography, topography, nature of economy, rapid urbanisation and high population levels exacerbate Sindh's vulnerability to such calamities.

The province experienced twelve major floods between 1973 and 2013. Other riverine floods, primarily involving the Indus, as well as torrential flash floods have severely affected smaller areas. But the floods in 2010 and 2011 were among the most devastating in the history of the region.

The 2010 floods displaced 7.2m people and affected 11,992 villages. Their impact on the provincial economy was estimated at Rs372 billion, with agriculture, livestock and housing contributing to major losses.

Likewise, the floods in 2011 inundated 38,347 villages, displacing 9.3m people and resulting in the deaths of at least 497 people.

Besides floods, Sindh faces intermittent droughts in the northern and south-eastern region. The drought that persisted from 1998 to 2002 affected 1.4m people, 5.6m cattle heads and 12.5m acres of agricultural area, triggering the onset of malnutrition-based diseases and food scarcity due to poor overall crop output.

The project will support investments in rainwater harvesting through the construction of small dams in the Kohistan and Nagarparkar regions that will contribute significantly to the provision of water to communities during dry periods.

In the first year, the provincial government intends to rehabilitate the Mulchand-Shah Bunder, Sunda Hilaya, Bughar-Ucheto and Indo embankments along the Indus river.

A Sindh government report about the project says that over 80 per cent of the irrigated land is underlain with brackish water making it unsuitable for agriculture.

The shortage of irrigation water coupled with drought conditions has increased the importance of groundwater exploitation wherever freshwater is available.

Fresh groundwater is found mostly in a strip parallel to the left bank of the Indus river and in smaller pockets in other areas. Over 30,000 tube wells have been installed for agriculture purposes.

Over 81 per cent of the irrigation area in the province is classified as waterlogged. Over the last few decades, the waterlogged area has increased while the right side of the Indus is facing drought-like conditions.

The World Bank says that an estimated 3m people are affected by natural disasters in the country each year. The annual economic impact of flooding is estimated to be between $1.2bn and $1.8bn. It is postulated, however, that a major flood could cause losses in excess of $15.5bn, equivalent to almost 40 per cent of the federal budget.

http://www.dawn.com/news/1236543

NEWS COVERAGE PERIOD JANUARY 18TH TO JANUARY 24TH, 2016
WB COUNTRY DIRECTOR, PUNJAB CM DISCUSS SOCIAL SECTORS PROGRAMME
The News, January 20, 2016

LAHORE: A delegation headed by World Bank Country Director in Pakistan Patchamutha Illango Tuesday called on Punjab Chief Minister Shahbaz Sharif and discussed programmes in social sector continuing with the cooperation of the WB in the province.

In the meeting it was agreed to promote cooperation between the WB and the Punjab government in education, health, agriculture, irrigation and other sectors.

Talking to the WB team, the CM said the programmes with the cooperation of the WB for the uplift of social sectors of Punjab are running successfully. He said the Punjab government has introduced basic reforms in education, health and other social sectors.

The CM said work is continuing speedily on various projects for overcoming shortage of energy. He said thousands of megawatt electricity would be generated with the completion of energy projects by the end of 2017 and growth rate will increase with the removal of energy shortage.

He said special attention is being paid to making youth skillful according to the market demands. Shahbaz said the cooperation of WB will be welcomed in this sector in view of the increasing demand in skill development sector.

He said the Punjab government has fixed the target of increasing growth rate of the province to 8 per cent by 2018 and all-out efforts would be made to achieve the target.Illango said they are greatly impressed with the vision of Shahbaz for the uplift of social sectors.

He said the collaboration with the Punjab government will further be increased in social sectors.

He said the cooperation with Punjab government regarding skill development would also be considered. Provincial Finance Minister Ayesha Ghous Pasha, Advisor Dr Ijaz Nabi, Chairman Planning and Development and senior officials of departments concerned were present on the occasion.

http://www.thenews.com.pk/print/92442-WB-country-director-Punjab-CMdiscuss-social-sectors-programme

NEWS COVERAGE PERIOD JANUARY 11TH TO JANUARY 17TH, 2016
IMF CALLS FOR TRANSPARENCY IN CPEC PROJECTS
Dawn, January 13th, 2016

KARACHI: Projects being executed under the China-Pakistan Economic Corridor (CPEC) need more transparency in order to build a better picture of the debts being taken on, and the future foreign exchange requirements for servicing these debts, says the IMF in a recent conference call with journalists.

"We believe it's important that information on contracts should be provided transparently as soon as it emerges so that we can factor it in" said Harold Finger, mission chief for Pakistan at the IMF, who spoke with journalists in a conference call on the conclusion of the 9th review and Article IV consultations with the government. "The details and terms are evolving. We are monitoring the impacts on fiscal and external sector in near to medium term" he added.

His remarks were in response to a question asking how far the IMF has been able to build an accurate picture on how the debt service obligations being accumulated under CPEC projects will impact debt sustainability in the future.

In follow-up remarks given to Dawn after the conference call, Mr Finger said that the fund would "use the occasion of our upcoming programme discussions to update our understandings and discuss the outlook and economic implications of the still evolving project".

He underlined an earlier analysis provided by the fund saying "to reap the full benefits of CPEC, risks will need to be well-managed. This requires sound practices in the evaluation, prioritisation, and implementation of public investment projects, along with strong procurement and public financial management systems."

Thus far, the IMF's debt sustainability analysis for Pakistan has given the country a clean bill of health for the near term. In its October review of the programme, the IMF had pointed out that CPEC projects are divided between transport and energy as crucial areas of focus. In transport, the projects are largely government-to-government financing, but in energy they are coming in the form of FDI, on commercial terms, and debt service obligations along with sovereign guarantees built into the Power Purchase Agreements (PPAs).

In its annual report, the State Bank has said "the government has estimated disbursements of Rs 207 billion (around $2.1bn) from China" in ongoing fiscal year, which is the largest bilateral commitment out of them all.

"PPAs need to be agreed in a way that mitigates potential fiscal risks, and to prioritise infrastructure project execution such that they remain within an overall fiscal envelope aimed at gradual debt reduction", the IMF cautioned in its October report, appearing to point towards the sovereign guarantees being issued in the power purchase agreements, and mindful of the continuing burden of the circular debt on the fiscal framework.

"The government of Pakistan will guarantee IPPs' energy sales through Power Purchase Agreements (PPAs) at pre-determined tariffs by Nepra. Final implementation of all projects will be contracted to Chinese suppliers who will import the necessary machinery as well as part of the manpower and raw materials", that report had pointed out, raising questions about the future foreign exchange requirements of executing CPEC projects, as well the fiscal burden that the power purchase agreements will place on future governments.

It is not clear whether the fund has been able to view the nature of the sovereign guarantees being extended, or the power purchase agreements, but the language used by Mr Finger, and the fund report, indicated that the staff is working with whatever data is provided by the government at its discretion.

The governor of the State Bank of Pakistan has already said that greater disclosure is needed on CPEC projects, especially the future debt service obligations being taken on under them, and what commitments are being given that could impact the fiscal framework.

http://www.dawn.com/news/1232678

GOVT ACCEPTS NINE FRESH BENCHMARKS SET BY IMF
Dawn, January 13th, 2016

ISLAMABAD: With slippages on three major deliverables, the government has committed itself to nine fresh targets with the International Monetary Fund (IMF) as compensation to ensure smooth completion of around $6.64 billion bailout package in August this year.

This could involve additional revenue measures of around Rs100bn by end-February, Rs30bn reduction in expenditures across the government machinery, and speeding up privatisation of public sector entities apart from an unspecified amount of increase in gas rates.

This has been revealed by the IMF in its quarterly report on the completion of ninth review of Extended Fund Facility (EFF) contracted in September 2013 for 36 months.

The IMF said most of end-September 2015 performance criteria (PCs) and indicative targets were met, except slippages for PCs on net domestic assets (NDA) of the State Bank of Pakistan (SBP) and the general government deficit, as was the indicative target on federal tax revenue.

The Fund said the authorities had put in place additional revenue measures to stay on course with respect to the fiscal targets, proposed modification in NDA for end-December performance criteria to ensure adequate reserve money growth. The government had taken corrective measures to meet the revised target, it added.

It said the most structural benchmarks (SBs) for end-September review were met while those regarding the Anti-Money Laundering (AML) Act amendments had been modified. Moreover, the missed end-November SB on multi-year power tariffs has also been replaced by two new SBs to facilitate completion within the timeline of privatisation. In addition, five new SBs in the areas of tax administration, AML, energy sector and business climate reforms have been put in place, it added.

The report said Pakistan's macroeconomic outlook was favourable but was contingent upon sustained fiscal consolidation and implantation of structural reforms. It said the near-term risks to outlook had slightly tilted to the downside.

It said the external vulnerabilities like protracted period of slower growth in key advanced and emerging economies (China and GCC) could hurt exports and remittances along with continuation of dollar appreciation and limited variation in rupee exchange rate. All these factors could erode Pakistan's competitiveness. Also, legal challenges to electricity surcharges and challenging political and security conditions would affect economic activity and fiscal consolidation.

Conversely, fast implementation of CPEC projects and improvement in security situation, coupled with removal of international sanctions against Iran could boost investment and growth and improve energy supply.

The government conceded that private sector credit growth continued to decelerate despite lowering of government borrowing from the central bank and promised to take additional measures to attain budget deficit target of 4.6 per cent of GDP. Apart from Rs40bn tax measures introduced in October, the government committed to remove more statutory regulatory orders (SROs) involving revenues of 0.3pc of GDP (around Rs100bn) would be enacted by end-February.

However, the government said the additional tax measures could be delayed until 2016-17 budget if end-December 2015 fiscal deficit was achieved. In addition, the government also committed to reduce recurrent and capital spending by Rs15bn each unless stronger federal revenue performance warranted otherwise.

The government gave an undertaking to the lender that it would better balance devolution and expenditure responsibilities with the provinces, strengthen central bank independence and anti-money laundering framework and improve fiscal responsibility and debt limitation law.

The government also committed to transfer Rs335bn circular debt in the power sector to distribution companies for recovery from consumers as the privatisation programme progressed. It also gave an undertaking in writing that remaining revenue shortfall by gas companies would be recuperated in January 2016.

“We will also make any necessary adjustments to notified prices to reflect imported gas prices, so that the cost of this gas will be fully reflected in the tariff on a monthly basis,” Finance Minister Ishaq Dar wrote.

http://www.dawn.com/news/1232553

SLOWDOWN IN ECONOMIC REFORMS COULD REVERSE ECONOMIC GAINS: IMF
The Express Tribune, January 13th, 2016.

Shahbaz Rana

ISLAMABAD: The International Monetary Fund (IMF) has urged Pakistan to privatise its loss-making entities as any slowdown in economic reforms may reverse the stability achieved in the past two years.

In a report released on Tuesday, the donor agency also warned that domestic sectarian violence and the continuing insurgency at Afghan border might deteriorate the security situation in the medium term, ultimately disrupting economic activities and increasing military spending.

The IMF’s fresh assessment about security conditions and government’s commitment to reforms has come at a critical juncture.

Security analysts fear sectarian tensions in the region may rise following the souring of diplomatic ties between Saudi Arabia and Iran. Political commitment to reforms has also weakened in recent weeks as Prime Minister Nawaz Sharif completes his half term.

The IMF report showed that there was medium- to high-scale risk of deterioration of security conditions. “The continued insurgency at the Afghanistan border, possible retaliation against ongoing security operations and domestic sectarian violence may increase security concerns,” the agency wrote in its Risk Assessment Matrix. This deterioration may erode investor confidence, disrupt economic activities and increase military spending, overburdening the budget.

The IMF warned about a medium-scale risk of slippages in policy implementation due to disagreement on priorities, the government's lack of majority in Senate and court rulings.

"Slowdown or suspension of fiscal consolidation and key energy and other structural reforms can reverse recent stability gains and affect potential growth," the report stated, calling for accelerated implementation of the privatisation agenda for loss-making public enterprises and completing the energy sector reform.

"The structural reforms process is not something that begins and ends, as it is a continued process," said Harald Finger, the IMF's Washington-based mission chief, while addressing the media through a video link from the United States.

He, however, appeared to endorse delays in privatisation of Pakistan International Airlines, Pakistan Steel Mills, and power generation and distribution companies. "We do think the government is committed to keeping the momentum of reforms going," he said. "Strategic privatisation is a complex process and needs to be done right."

Finger recommended strategic privatisation should not be rushed. "It's better to do it right than do it quickly."

He admitted since parliament was discussing the PIA sell-off, its privatisation process was not possible in the near future.

The government has already missed the December 31 deadline to invite investors for selling stakes in the national flag carrier.

Finger's response was mixed to an under-discussion amnesty scheme. He said Pakistan's national experience indicated that tax amnesty schemes undermine tax compliance, weaken revenue collection and create expectations for further reprieves.

He added the current agreement with traders should be implemented in a way that minimises these risks.

Finger also sought transparency in the China-Pakistan Economic Corridor deals, said to be worth $46 billion of investment on debt. "The details and terms are evolving. We believe it is important that information on contracts is provided transparently as soon as it emerges so we can factor in," he added.

http://tribune.com.pk/story/1026584/slowdown-in-economic-reforms-could-reverse-economic-gains-imf/

IPR rejects IMF report on economy
Dawn, January 16th, 2016

LAHORE: The Institute of Policy Reforms, a think tank, has rejected the point of view of the IMF mission chief Herald Finger that Pakistan's economy is improving.

According to a `fact sheet' issued by the IPR, the Staff Report of IMF on the Ninth Review of the Extended Fund Facility to Pakistan was released a few days ago which was followed by a conference call to economic journalists by Mr Finger.

"Unfortunately, there are a number of factual errors in the answers given by the mission chief," says the fact sheet.

According to the IPR, the first problematic statement is that there is a process of `continuation of gradual recovery` of the economy in 2015-16. The GDP growth rate has risen from 3.7per cent to 4.2pc in the first two years of the programme and growth rate is expected to rise further to 4.5pc. However, there have been a number of developments which can impact negatively on the growth rate in 2015-16.

“The cotton crop has failed and output is likely to be down by over 18pc. This alone can reduce the GDP growth rate by one percentage point, given the role of cotton in the national economy. Exports have plummeted by over 14pc in the first six months. Imports have grown in overall quantity terms, thereby adversely impacting on production in import-substituting industries. Further, the largest industrial plant of Pakistan, the Pakistan Steel Mills, is shutdown. Therefore, it is unlikely that the GDP growth rate substantially exceeds 3 per cent in 2015-16.”

The second important statement by Mr Finger is that `over the last decade or so poverty has come down in Pakistan’. This is probably true for the fast growth period from 2003 to 2008. But, thereafter, the rise in per capita income has been low at about 1pc annually and the unemployment rate has gone up from 5 to almost 6pc. In addition, food prices have increased cumulatively by 31pc over the last decade and nutrition standards are down to crisis levels. Given these developments, it is unlikely that poverty has fallen.

There are also a number of factual inconsistencies in the statement by Mr Finger on the state of public finances. He asserts that `the reduction in fiscal deficit is a major achievement of the programme`. The fiscal deficit is projected to come down to 4.3pc of the GDP in 2015-16 from 8pc of the GDP in 2012-13.

However, in the latter year, there was a retirement of circular debt of the magnitude of 1.4pc of the GDP. Currently, these liabilities have exceeded 2pc of the GDP and inclusive of this the fiscal deficit will reach at least 6.3pc of the GDP in 2015-16. This indicates that the underlying magnitude of the fiscal deficit remains high.The IPR also disputed loadshedding duration figures.

“Overall, there is a sense of disappointment about the quality of review by the IMF. Many of the positive findings are based on erroneous data and the government has very skillfully handled the IMF,” says the IPR.

http://www.dawn.com/news/1233333

IMF informed about privatisation targets for this year
Dawn, January 17th, 2016

ISLAMABAD: The government has assured the International Monetary Fund (IMF) that it will privatise 10 public sector enterprises in 2016 and transaction of four entities will be completed by June.

According to the timeline of the privatisation plan, transaction of State Life Insurance Company (Slic), Kot Addu Power Company (Kapco), Pakistan International Airlines (PIA) and Mari Petroleum Ltd will be completed by the end of June.

The government has planned to sell 10-15 per cent of Slic shares, 40.25pc government shares in Kapco, 26pc shares of PIA and 18.39pc government shares in Mari Petroleum.

The strategic and asset sale of Pakistan Steel Mills has been planned to be completed by the end of September. Likewise, the strategic and asset sale of Faisalabad Electric Supply Company (Fesco) will be completed by end-September.

The strategic and asset sale of Northern Power Generation Company Ltd and Jamshoro Power Generation Company Ltd will be completed by the end of December.

The government has succeeded in completing the transactions of UBL, PPL, ABL, HBL and the National Power Construction Company (NPCC). The proceeds raised so far by the government amounted to $1.715 billion which includes $1.124bn in foreign exchange.

The government has informed the IMF that the privatisation programme has experienced some delays as a result of which the number of transactions planned for the next 12 months has increased.

Meanwhile, the government is unclear about the privatisation of Pakistan Railways. The authorities concerned believe that through rationalisation of tariff and expenditures and improved occupancy rates, Pakistan Railways has been able to improve its revenue for the past two years, and this trend continues with an increase of around 20 per cent in the first quarter of the current fiscal year. The railways' revenue improved in 2013-14 and 2014-15 by 32pc and 45pc, respectively.

Railways Minister Saad Rafiq is not in favour of privatising Pakistan Railways and he often speaks against it.

On the other hand, IMF Mission Chief for Pakistan Harold Finger in his recent interaction with journalists, observed that failing to restructure or privatise the loss-making enterprises would mean taking public resources away from priority spending. "There is a need to realise that strategic privatisation is a complex process that needs to be done right," he said.

In the case of PIA and Pakistan Steel, IMF is now observing both the cases. "This is not just the experience in Pakistan, but something we observe across our membership."

He expressed the hope that a consensus would be found in parliament regarding the next steps with respect to PIA.

The IMF, he added, would discuss with Pakistani authorities their intentions and plans during the review talks planned for Dubai later this month.

About the Steel Mills, he was hopeful that the government's discussions with the Sindh government would come to some conclusion one way or the other and that the process could move forward once that decision had been taken.

http://www.dawn.com/news/1233556

NEWS COVERAGE PERIOD JANUARY 4TH TO JANUARY 10TH, 2016
GROWTH WITH IMF RECIPE?
Afshan Subohi, Business & Finance weekly, January 4th, 2016

Finance Minister Ishaq Dar chairing a meeting of provincial finance ministers to discuss NFC Award in Islamabad last week. "The finance ministry is conducting a cost-benefit analysis of ending the IMF programme prematurely", says an insider.

IN a gradual policy shift from relative stability to growth, can possible disagreements between Islamabad and the IMF lead to an early termination of the fund's current stabilisation programme?

Despite record foreign exchange reserves and the falling oil import bill, it may not be easy for the country's economic managers to take such a risk, nor may it suit the IMF given the high vulnerability in the existing global financial environment. The IMF has used its waivers liberally to accommodate Islamabad whenever it missed agreed-upon targets.

But the possibility of Pakistan seeking an early exit from the IMF programme cannot be totally ruled out as it becomes increasingly difficult for the country's economic managers to tread an ambitious growth path under strict terms dictated for stability — unless, of course, the IMF remains accommodative via its waiver policy.

An insider in the finance ministry confirmed that "the ministry is conducting a cost-benefit analysis of ending the IMF programme prematurely".

"This is a great chance for us and we must not entertain any pressure that could compromise our chances of capitalising on it," said former finance minister Dr Hafiz Pasha, who is the vice-chairman of the Institute of Public Policy, while commenting on the need for enhanced public financing for CPEC projects and the suffocating conditions under the IMF's loan agreement.

However, the country's economic team would have the first option to persuade the IMF with the -cost-benefit analysis for temporary relaxation of agreed stipulations.

Pakistan's expected GDP growth is higher by a good 1-1.5pc over the donor's projections. Their projections are probably based on the assumption that Islamabad will chop development spending to keep the budget deficit within the agreed limits.

Islamabad has secured a waiver on the budget deficit limit in the 9th IMF review, but the prospects do not appear to be promising. The deficit is expected to balloon to 5.5pc given the downward energy-rate adjustments and the cost of the government's current and expected relief packages.

The privatisation of state-owned enterprises is also wrought with complexities and might prove to be politically costly to the ruling party.

“With trade unions wrestling their street power and the opposition’s populist stance, I do not see much activity on that front in the near future,” a senior officer accepted. The Senate has already passed a resolution rejecting the PIA’s privatisation.

According to people in the know of things, the Public Sector Development Programme (PSDP) will need a boost of Rs200-250bn in next year’s budget to finance the rupee component of CPEC-related projects. In the absence of a major gain in internal resource mobilisation and the expected build-up in demand by provinces and security institutions, deficit-financing appears to be only plausible option.

In a meeting held a few weeks back, an IMF spokesperson sounded all gung-ho about the country’s economic prospects while talking to a select group of journalists. “Pakistan’s economy can and should do much better.”

IMF resident representative Tokhir Mirzoev was on leave, but the fund’s office promptly responded on request for comment on the country’s economic outlook.

In an e-mailed message to Dawn, the donor’s representative said, “An important government priority, supported by the IMF, is for Pakistan to continue with gradual fiscal consolidation while finding adequate space for public investment projects, including CPEC-related ones. The current budget strikes that balance, and efforts centre on achieving the budget targets”.

On the future of the Pakistan-IMF relationship, there was no direct answer. “The government has shown strong commitment to its economic programme, which the IMF has been supporting. In December, Pakistan passed the 9th quarterly review under its IMF-supported programme. While undoubtedly many economic challenges remain, the authorities have put in place successful policies for economic stabilisation following a near crisis in 2013 and have begun to set in motion economic reforms that lay the ground for higher, more inclusive growth,” the fund said.

Assuming improved stability in the political and security situation, economic recovery can pick up speed if the government succeeds in tackling some of the challenging problems: galvanising the investment-shy private sector; coping with global commodity price slump; containing spillover of the cotton crop’s failure; guiding trade to ramp up exports; and managing financing for CPEC projects.

The performance of the capital, currency and commodity markets in the new year hinges on the government’s policy choices, most analysts believe.

The benefits of cheaper oil, strong forex reserves and the low inflation and interest-rate environment have lessened short-term vulnerabilities. This allows a space for manoeuvrability for the economic team to justify claims about its management skills.

For the people, the year may be relatively less stressful. And while the benefits of growth are not expected to be shared equitably among social classes under the current economic framework, the democratic government cannot afford to be completely oblivious to the peoples’ needs and expectations.

Without displeasing the power-wielders, with an eye on the next general elections, the federal and provincial governments are expected to be inclined to increase ‘pro-poor spending’ of exhibitionist nature.

The contained inflation and rising development spending by the government may generate a perception of higher disposable incomes and better job prospects. The demand for men and material generated by CPEC projects and the availability of cheaper credit has created ripples in the economy. If all this leads to higher investment and consumption, it can kick start a spiral of higher economic activity.

Meanwhile, the downside risks to the economy emanate from the cotton crop’s failure, faltering exports and the tax machinery underperformance.

Dr Pasha told this scribe from Lahore that a loss of 1m cotton bales will compromise GDP growth by about 0.4pc because of the size and weight of the segment in the overall economy.

http://www.dawn.com/news/1230682

GOVT IN COMFORTABLE POSITION AHEAD OF IMF REVIEW
Shahbaz Rana, The Express Tribune, January 5th, 2016.

ISLAMABAD: Just weeks before the next round of negotiations with the International Monetary Fund (IMF) for the release of the second last loan tranche of $500 million, the government has claimed that it is in a comfortable position to meet all key conditions except for privatisation.

Finance Minister Ishaq Dar expressed satisfaction with results of the second quarter (October-December) of the current fiscal year 2015-16, according to a statement issued by the Ministry of Finance on Monday. He chaired a meeting to assess preparations for the 10th IMF review.

"All the five performance criteria have been met," said Dar while talking to The Express Tribune later.

Finance Secretary Dr Waqar Masood briefed the minister in the meeting on the progress on various reform measures under the IMF programme. The status of actions taken relating to the five performance criteria and three indicative targets, agreed with the IMF, were reviewed.

The next round of talks will begin on January 26 in Dubai and will continue for nine days. It will be the third last round of talks under the $6.2 billion bailout programme for the release of the second last loan tranche of around $500 million.

The IMF has already disbursed $5 billion after Pakistan completed nine reviews. However to achieve the milestones, the IMF gave 14 concessions – the highest under any programme, showing its leniency.

Officials of the finance ministry said there were indications that the government would achieve all the five performance criteria – the key benchmarks that either have to be met or require waiver from the IMF executive board.

These conditions are related to budget deficit, net international reserves, net domestic assets, reduction in borrowing from the central bank and reducing the swap loans obtained by the central bank.

According to the officials, initial indications suggest that the government has achieved the target for restricting the budget deficit to Rs625 billion for the July-December period. However, they said there were problems in achieving the non-tax revenue target on account of mark-up and dividend receipts.

Although the Federal Board of Revenue met the goal in the October-December quarter by collecting Rs785 billion, it missed the first half (July-December) target of Rs1.390 trillion by a small margin of Rs5 billion.

The government would not have much problem in seeking relaxation from the IMF management, as it has already implemented a Rs40 billion mini-budget.

Initial data suggests that the government will achieve the indicative target for circular debt for the second quarter, thanks to low prices of crude oil. Water and Power Minister Khawaja Mohammad Asif on Monday claimed that by December 31, the recovery of bills had improved to 93%, resulting in additional revenues of Rs56 billion.

He said lines losses were also reduced to 17.9%, resulting in savings of Rs12 billion.

High line losses and low recovery of electricity bills are among key reasons for continuous build-up of the circular debt that amounted to Rs661 billion as of September last year.

However, the government is likely to have tough time on the privatisation front. It has failed to meet the structural benchmark for the privatisation of Pakistan International Airlines as it missed the December 31 deadline to invite investors for the airline's sell-off.

The situation is also not very encouraging in the case of privatisation of the Faisalabad Electric Supply Company (Fesco). A decision is pending on the deadline for submitting the Statement of Qualifications (SOQs) by the investors.

The government's commitment to privatising loss-making enterprises has weakened in recent weeks, as it is set to roll back the entire power sector privatisation plan.

However, it has met the indicative target for disbursing Rs46 billion among beneficiaries of the Benazir Income Support Programme during the first half of the current fiscal year.

http://tribune.com.pk/story/1021808/loan-programme-govt-in-comfortable-position-ahead-of-imf-review/

TAILWINDS PUSHING PAKISTAN'S GROWTH: WB

Anwar Iqbal, Dawn, January 8th, 2016

WASHINGTON: Pakistan stands to benefit from three tailwinds over the near- to medium-term, with average growth projected at 5.5 per cent over the forecast period, said the World Bank's Global Economic Prospects report for 2016.

The report identified the 'tailwinds' as rising investments from China under the China-Pakistan Economic Corridor (CPEC); the anticipated return of Iran to the international economic community; and persistently low international oil prices.

The report also pointed out that macroeconomic adjustment in Pakistan under an International Monetary Fund programme is progressing, while efforts to crackdown on violent crime in Karachi, the country's industrial and commercial hub, are supporting investor confidence.

The CPEC agreement, signed in 2015, "has further bolstered investor optimism, and, if implemented, has the potential to lift long-term growth," the report predicted.

But the World Bank also pointed out that national elections in Pakistan are due in 2018, and warned that "hard won fiscal consolidation gains may be lost if spending ramps up in the pre-election period."

"In addition, sovereign guarantees associated with the CPEC could pose substantial fiscal risks over the medium term," the report added.

The report noted that the government of Pakistan usually refers to growth in real GDP "at factor cost" for policy purposes. Real GDP growth at factor cost is projected at 4.5pc in fiscal 2015-16.

The report, which described South Asia as a "bright spot" in next year's global economic prospects, noted that both India and Pakistan have been on a path of fiscal consolidation over the past three years, and fiscal restraint is curbing demand-side pressures. Lower inflation has enabled central banks in India and Pakistan to cut policy rates to support activity.

The Pakistani currency, which had appreciated in real effective terms since 2013, has stabilised in recent months. The current account deficit has continued to narrow, reflecting lower oil import cost and strong remittance inflows.

The report showed that Pakistan has also made progress in reining in its budget deficit from 8.4pc of GDP in FY13 to 5.3pc in FY15. However, debt levels remain high at 65pc of GDP, the result of years of fiscal slippages, and interest payment costs are about 4.4pc of GDP.

Industrial activity has slowed in Pakistan, while external trade remains weak.

The central bank, with IMF assistance, is gradually strengthening monitoring of financial stability risks, and is in the process of instituting a modern deposit insurance scheme in line with international best practices.

Estimated at around $45bn of investment until 2030, the CPEC initiative will finance a series of transport infrastructure projects. These include $11bn, mostly public investment, in the transport sector, and $33bn in energy projects, also mostly private.

The projects foreseen in the CPEC to receive funding from China also include $4bn Silk Road Fund and partial financing for the $1.65bn Karot hydropower project.

But the report explained that stronger growth and investment in Pakistan "is predicated on reforms to strengthen the business climate, an improvement in the security situation, implementation of the CPEC and an associated easing in energy constraints."

But the World Bank warns that these "developments might not materialise as expected … risks are mostly of domestic origin and mainly on the downside."

http://www.dawn.com/news/1231423

ALL COUNTRIES: ADB'S ASSISTANCE IN 2015 AMOUNTED TO $27.15B
The Express Tribune, January 9th, 2016.

ISLAMABAD: The Asian Development Bank's (ADB) operations-comprising approvals of loans and grants, technical assistance, and co-financing-reached an all-time high of $27.15 billion in 2015, an increase of about 19% over $22.89 billion in 2014, according to provisional figures released on Friday.

According to a press release received here on Friday from Manila, Philippines, ADB's approvals of loans and grants, sovereign (governments) and non-sovereign (primarily private sector), reached a record $16.58 billion – a 23% increase from 2014. Technical assistance amounted to $144 million and co-financing increased by 13% to a record $10.43 billion in 2015. Out of the $16.58 billion, sovereign loan and grant approvals increased by 21% to $13.95 billion in 2015.

Non-sovereign approvals made a big leap from $1.92 billion in 2014 to $2.63 billion in 2015. In addition to a volume increase, ADB increased its allocation to the poorest countries to 40% of non-sovereign approvals. To expedite small non-sovereign transactions, ADB introduced a fast-track approval process.

Unless loans and grants are disbursed, they will have no impact on development. In 2015, total disbursements of loans and grants reached a record $12.34 billion, an increase of 21% over the previous year.

"Our record performance last year reflected strong and growing demand from the Asian and Pacific region," ADB President Takehiko Nakao said. "Infrastructure and other development needs are huge and poverty remains pervasive despite the region's robust growth performance."

http://tribune.com.pk/story/1024349/all-countries-adbs-assistance-in-2015-amounted-to-27-15b/

AS REBEL-HELD TOWN OF MADAYA STARVES, SYRIA AGREES TO FOOD AID, U.N. SAYS
Anne Barnad, JAN. 7, 2016

BEIRUT, Lebanon — Amid mounting international dismay over reports of starvation deaths and images of skeletally thin children in the besieged, rebel-held Syrian town of Madaya, the Syrian government agreed Thursday to allow the delivery of humanitarian aid, according to the United Nations.

But no firm date was set, and senior United Nations officials said that while they welcomed the government's decision to allow the aid to enter, 42,000 people in Madaya remained "at risk of further hunger and starvation," citing "credible reports of people dying from starvation and being killed while trying to leave."

The announcement came after Syrian opposition leaders issued a blistering statement declaring that silence and inaction from powerful nations and international organizations made them "complicit in starving civilians." In recent days, Syrians had mounted a social media campaign sharing painful photos and videos: an 8-year-old boy who said he had not eaten for 10 days and longed for sweets; the shriveled body of a man who starved to death, his rib cage jutting out over a caved-in stomach.

Numerous residents of Madaya interviewed in recent days described living on grass and leaves, and seeing family members dying of hunger or killed by snipers as they tried to escape the town, which is surrounded by pro-government forces, primarily from Hezbollah, the Lebanese Shiite group that is allied with the Syrian president, Bashar al-Assad.

The medical aid agency Doctors Without Borders said in a statement that 23 patients had "died of starvation" at one health center in Madaya since Dec. 1. Six were under a year old.

Madaya is an important test case both for the future of any peace talks on Syria and for the credibility of the United Nations because the town is involved in a local cease-fire deal that the United Nations brokered and promoted as a building block for a nationwide cease-fire. Last month, scores of wounded fighters and civilians wereevacuated from a neighboring rebel-held town, Zabadani, while in northern Syria a similar group was evacuated from two government-held towns that were besieged by rebels. But the deal left tens of thousands of civilians under siege in Madaya.

Syrian activists and humanitarian groups say such deals are problematic on their face because the parties to the Syrian conflict are already twice obligated to allow humanitarian access — once under international law and again under the recent Security Council Resolution 2165 — and thus should not be invited to use it as a bargaining chip.

Hezbollah issued a statement on Thursday acknowledging that thousands of civilians remained in Madaya — it put the number at 23,000 — and accusing rebels there of using them as "human shields" and of hoarding food. The statement appeared partly aimed at responding to members of Hezbollah's Lebanese Shiite support base, some of whom have grown uncomfortable with the images of starvation in an area bordering Lebanon where many Lebanese were welcomed as refugees during Hezbollah's 2006 war with Israel.

In the United Nations statement, Kevin Kennedy, the regional humanitarian coordinator for the Syria crisis, and Yacoub El Hillo, his Damascus-based counterpart, said only 10 percent of requests for aid convoys to reach besieged and hard-to-reach areas had been delivered.

http://www.nytimes.com/2016/01/08/world/middleeast/madaya-syria-starvation.html

KPT BERTHS REFURBISHED UNDER WB PROJECT REMAIN INOPERATIVE
Amin Ahmed, Dawn, January 10th, 2016

ISLAMABAD: The Karachi Port is yet to see three berths in operation despite having been completed and handed over to authorities under a World Bank project.

The World Bank provided financing of $115.8 million for the reconstruction of four berths — 15 to 17A — in order to replace the lost capacity and reducing shipping costs besides increasing the effectiveness and efficiency of port operations.

A World Bank report on the project says three berths, 15, 16 and 17, measuring 441 metres out of 935 metres total quay length have been completed, and handed over, but are not yet operational. Work is currently being done on 17A.

The physical progress of civil work stands at 86 per cent and the contractor has been given an extended completion date of August 31, 2016. The report says “certain issues which were the cause of delay have been resolved, and the pace of work is now picking up again.”

Meanwhile, a strategic business plan for Karachi Port Trust (KPT) has been completed. The implementation plan under finalisation will be submitted to KPT in March. As part of the business plan, procurement process has been started for conducting a technical feasibility and public-private partnership viability study for a dedicated port expressway.

This is one of the key recommendations coming out of the development plan prepared by consultants.

The report says work was progressing on setting up the Environment Health and Safety (EHS) Management System and ISO-14001 certification.

Training of KPT internal auditors was underway, and after internal audit, external audit for ISO-14001 certification will be conducted.

Port improvement is a key component of the National Trade Corridor Improvement Programme (NTCIP), which was initiated by the government in 2005.

Karachi Port handles approximately 60pc (by volume) of Pakistan’s international trade. Although, a number of operations have been initiated at the port to improve overall efficiency, there are still several important areas requiring reform.

Port operating costs in Pakistan are high, resulting in high charges to users; there are long dwell times for inbound containers, resulting in congested terminals and the need to construct additional facilities earlier than necessary, access channels are relatively shallow, which will increasingly limit shipping connections; and there is a shortage of modern bulk handling facilities which not only raises the cost of importing essential commodities but also creates congestion on the quayside for the other traffic, according to World Bank assessment.

The Karachi Port comprises two wharves, East and West. There are around 30 berths in these two wharves. Of these 17 and half berths are on the East Wharf — berth numbers 1 to 17A. Berths 5 through 17 were constructed during 1955-1960 under a World Bank financed ‘first development project’. Berths 5 to 9 were reconstructed in the late 1990s and four of these berths were subsequently conceded to a private container terminal operator, Pakistan International Container Terminal (PICT).

By early 2000 the remaining berths — 10 to 17A had also become suspect and in July 2007, berths 10 to 14 actually collapsed into the water forcing KPT to stop all operations on these berths.

KPT started reconstruction of berths 10 to 14 while the construction of berths 15 to 17A formed basis for the current World Bank assistance.

http://www.dawn.com/news/1231895/kpt-berths-refurbished-under-wb-project-remain-inoperative

February 2016

NEWS COVERAGE PERIOD FROM FEBRUARY 22nd TO FEBRUARY 28th 2016

IMF SEES 'TEPID' GROWTH FOR WORLD ECONOMY

Dawn, February 24th, 2016

DUBAI: The world economy is going through a "tepid" recovery, International Monetary Fund chief Christine Lagarde said on Tuesday, adding that growth in advanced economies should be higher.

Speaking at a women's forum in Dubai, the newly re-elected Lagarde said global economic growth stood at 3.1 per cent last year, and is expected to grow by "a bit more than three per cent" this year, and a "little higher" in 2017.

"It is a growth but it is a tepid growth because the recovery that we see in the United States, Europe and a little bit in Japan as well could be bigger," she said.

"If you compare current growth to the potential output the economy should deliver, it is less," she added.

As for emerging economies, apart from India which is "doing pretty well," they are slowing down, said Lagarde.

Other emerging economies are either "deliberately" slowing down like China, or "in a pretty weak position" like Russia, Brazil or South Africa, she said.

"Those countries are struggling. Both Russia and Brazil will be in negative territory this year."

Lagarde said commodity producers, particularly oil exporters, "are facing a completely new reality."

She said world prices, not only of oil but also of metals and food, "have gone down significantly to actually change the business models of those countries, which some of them are addressing well."

"It's really a new reality that these countries are dealing with at the moment."

http://www.dawn.com/news/1241497

NEWS COVERAGE PERIOD FROM FEBRUARY 8th TO FEBRUARY 14th 2016

TRADERS WELCOME SUCCESSFUL IMF REVIEW

Business Recorder, February 08, 2016

The business community of Rawalpindi and Islamabad on Sunday hailed successful 10th review of the three-year Extended Fund Facility (EFF) programme by the International Monetary Funds (IMF). The review would lead to the release of 10th tranche of $500 million under the $6.4 billion EFF, which was a great achievement for the government, Islamabad Chamber of Commerce and Industry (ICCI) President Atif Ikram Sheikh said while talking to media persons.

He said the successful negotiations with the IMF would have positive effect on the country's economy. The IMF's approval for release of the tranche proved that the government had adopted sound economic policies and created a conducive environment for business community, he added.

Vice President of Federation of Pakistan Chambers of Commerce and Industries (FPCCI) Zafar Bakhtawari said the successful negotiations with the IMF on 10th review would revive the confidence of business community in the government policies.

The release of $500 million tranche would not only help enhance the foreign exchange reserves but also attract investors from abroad, he added.

Former ICCI President ICCI Muzzamil Hussain Sabri said for the first time in the country's history that a government had carried out steps to benefit the businessmen.

The successful review would enhance the trust of both local and foreign investors in Pakistan's economy, he added.

http://www.brecorder.com/business-and-economy/189/14241/?tmpl=component&print=1&page

PAKISTAN ON PATH TO RAPID ECONOMIC GROWTH: WORLD BANK CHIEF
Dawn, February 10th, 2016

ISLAMABAD: World Bank President Jim Yong Kim has said that Pakistan is now on the path of increased economic growth and prosperity.

He was talking to Prime Minister Nawaz Sharif and Finance Minister Ishaq Dar in separate meetings held here on Tuesday.

Mr Kim, who is on his first visit to Pakistan, applauded the prudent economic policies of Pakistan government, saying that the country's economic outlook had become stable which was the result of the efforts of its financial team.

He said Pakistan had an opportunity to become more ambitious in reforming its economy and reducing poverty in the country.

At the meeting with the prime minister, the WB president talked about the importance of pressing forward with economic reforms. He recalled his meeting with Mr Sharif two years ago in Washington and observed that the government had stabilised the economy over the three tough years.

As part of the World Bank's continued support to the country, they discussed a development policy credit to promote economic reforms.

"Now is the moment for Pakistan to step up to a higher level of growth and opportunity for its people," said Dr Kim.

The topics that came under discussion included strengthening the role of the private sector for creation of jobs, accelerating energy reforms, making improvements at the community level for better health and education facilities and ensuring anti-poverty measures.

The prime minister said his government believed in liberal and private sector-driven economy. "Our efforts are aimed at ensuring ideal business environment for the private sector as governments are not meant to do business." When private sector is adequately facilitated, business benefits reach to people. When governments start doing businesses huge losses in the shape of subsidies are incurred.

The prime minister said his government was making all-out efforts to bring improvements in every sector of the economy, including development of mega-hydropower projects, rail and road infrastructure, education and health.

He said the World Bank assistance for the Dasu hydropower project and Tarbela-IV extension project would help the government in improving the energy mix and reduce dependence on expensive fuels.

Mr Kim supported Pakistan government's tough economic decisions and said the World Bank supported the structural reform agenda. "Let me state that under your leadership, Pakistan has witnessed phenomenal improvements in all three sectors and we support your endeavours."

http://www.dawn.com/news/1238591

WB TEAM TO VISIT BALOCHISTAN TO REVIEW UPLIFT PROJECTS
Dawn, February 12th, 2016

QUETTA: World Bank officials will soon visit Balochistan as part of their plan to extend financial cooperation to the province.

Chief Minister Nawab Sanaullah Khan Zehri met WB president Dr Jim Yong Kim in Karachi during the latter's recent visit to Pakistan and discussed details of the arrangement. The meeting was also attended by the bank's vice president Annette Dixon, country director Patchamutho Illangovan and provincial government officials and lawmakers.

The chief minister briefed the WB delegation about the proposed development schemes in various sectors such as maternal and child health, capacity building of teachers, Pishin Development Programme, environmental improvement and development of Quetta and coastal areas.

The meeting also discussed the introduction of reforms in health and education sectors, projects pertaining to mines and minerals, water, environment and provision of vocational and technical training to youth.

The WB team was informed that the provincial government had given priority to the education and health sectors by increasing their allocations from 5 per cent to 24pc and from 4pc to 12pc in the current budget.

Mr Zehri said that one of the biggest challenges faced by his government was the scarcity of water which had adversely affected the agriculture and livestock sectors, adding that unemployment and the dilapidated condition of health and education facilities were other serious challenges.

He requested Mr Kim to extend financial cooperation to his government to help overcome these problems.

Mr Kim said that the WB team would review the government's agenda and work with them to help implement the development projects.

Ms Dixon said she had already visited Balochistan, adding that more officials of the WB would soon visit the province to review their suggestions regarding the development schemes.

The meeting was informed that the WB had allocated Rs60 billion for development projects, some of which had been completed while work on others was under way.

http://www.dawn.com/news/1238973

NEWS COVERAGE PERIOD FROM FEBRUARY 1 ST TO FEBRUARY 7TH 2016
ADB OFFERS ASSISTANCE IN POWER SECTOR
Dawn, February 1st, 2016

PESHAWAR: The Asian Development Bank (ADB) has offered technical and financial assistance to the Khyber Pakhtunkhwa government in its bid to exploit hydropower potential of the province.

A high-level ADB mission comprising Korean, Australian, Vietnamese, Philippines and Pakistani investors, was informed during a briefing here on Sunday about the ongoing and upcoming hydropower projects in the province. The ADB mission visited Khyber Pakhtunkhwa for making a plan of action to invest in power sector.

Pakhtunkhwa Energy Development Organisation (PEDO) chief executive officer Akbar Ayub Khan informed the ADB mission led by programme manager Adnan Tareen that the provincial government was engaged in implementation of an energy action plan in order to utilise the hydropower potential of the province, according to a statement.

The mission hailed the implementation of 356 micro hydropower projects plan of the provincial government.

Secretary Energy & Power, Engr Naeem Khan was also present on the occasion.

PEDO head said the micro hydropower projects plan was being developed in areas without electricity. ADB plans to introduce for the first time in Pakistan a result-based landing (RBL) technology to complete these projects on a fast-track basis. Moreover, the bank will also invest in development of high capacity power projects in the province with the cooperation of PEDO. It was informed that the ADB mission will visit the province again to finalise the plan of action in consultation with PEDO for executing the hydropower projects in KP.

http://www.dawn.com/news/1236733

IMF WRAPS UP 10TH REVIEW OF PAKISTAN'S ECONOMY
The Express Tribune, February 5th, 2016.

Shahbaz Rana

ISLAMABAD: Amid calls to revive the stalled privatisation of Pakistan's power sector, the International Monetary Fund (IMF) on Thursday reached a staff-level agreement with Islamabad on the completion of the tenth review of the country's economy, paving the way for the release of the second last tranche of the $6.2 billion loan package.

The agreement was reached at the end of policy talks held in Dubai, according to an announcement by the global lender. It will now have to be cleared by the executive board of IMF so that Pakistan can receive the eleventh loan tranche of $497 million.

The board is tentatively scheduled to meet at the end of next month, a finance ministry official said. If approved, this next tranche will bring cumulative disbursements by the lender to Pakistan to $5.5 billion.

During the tenth review talks, IMF retained its Gross Domestic Product growth rate projection at 4.5% for the current fiscal year – 1% less than the official target. Less than the required rate of economic growth will further increase unemployment, which currently stands at a 13-year-high of 8.3%.

IMF, however, increased its inflation forecast to 4.5% from its earlier assessment of 3.7% after the key inflation indicator has been inching up for the last four months.

"While many structural benchmarks have been met, measures pertaining to energy sector reforms and restructuring loss-making public enterprises have yet to be implemented," the Washington-based chief of the IMF mission in Pakistan, Harald Finger, was quoted as saying in an official statement released by the lender.

IMF also extended the deadline for inviting prospective investors for privatisation of Pakistan international Airlines. "Following the Senate's repeal of the ordinance corporatising PIA, soliciting expressions of interest for strategic private sector participation would not have been possible," Finger said in response to a question sent by The Express Tribune.

He added that in light of recent events, Pakistan needs some time to complete dialogue with various stakeholders in order to build consensus regarding a way forward. "We are saddened by the recent events and the loss of life, and hope that the ongoing dialogue on these issues can proceed calmly and a consensus can be found that allows putting PIA and other loss-making public enterprises on a stable and sustainable path," Finger said.

The government has unofficially stalled the privatisation of power sector after taking Faisalabad Electricity Supply Company (Fesco) privatisation process to a very advanced stage.

The government's privatisation programme has so far been limited to selling stakes in profitable entities to raise funds for budget financing. The Privatisation Commission has generated $1.7 billion this way over the last two years. In violation of the requirements of the Privatisation Ordinance of 2001, the finance ministry used this amount to finance the budget instead of retiring debt.

Sources said IMF has asked the government for an alternative plan in case it remains unable to take power sector privatisation to the next phase. They said IMF asked the government to bring a plan that did not have implications on the budget.

IMF said that Pakistan has met all quantitative performance criteria for the second quarter (October-December) of current fiscal year 2015-16. These include achieving first half budget deficit target of Rs625 billion and increasing net international reserves of State Bank of Pakistan to $9.3 billion.

The IMF statement noted that economic activity remains robust, although a weak cotton harvest, declining exports, and a more challenging external environment are weighing on growth prospects.

It said that further consolidation of economic gains of last two years require "advancing energy sector reforms, setting in motion competitiveness-enhancing improvements in the business climate, continuing to expand the tax net, and ending losses in public enterprises". It emphasised that completing these reforms will help set Pakistan on a permanently higher growth trajectory and achieve the country's broader economic objectives.

http://tribune.com.pk/story/1040606/staff-level-agreement-imf-wraps-up-10th-review-of-pakistans-economy/

IMF CLEARS TAX COMPLIANCE SCHEME
Dawn, February 6th, 2016

ISLAMABAD: The International Monetary Fund (IMF) has asked the Federal Board of Revenue to register maximum number of traders under the Voluntary Tax Compliance Scheme.

An official source told Dawn on Friday that the IMF had not only cleared the tax amnesty scheme, but also urged the tax officials to achieve the target.

The clearance came after the tax authorities assured the IMF during recent meetings in Dubai that the scheme would not be misused.

Finance Minister Ishaq Dar claimed the scheme would bring one million new taxpayers.

A senior tax official, requesting anonymity, told Dawn that the FBR would be happy to see 200,000 to 500,000 new taxpayers under the tax net.

However, he said it would be difficult to project actual turnout of the scheme.

The traders who avail the scheme will be subjected to a lower rate of 0.3 per cent banking tax.

"We have received around Rs9 billion in revenue from the banking transaction tax in the first five months of the current fiscal year," the official said.

The official said this rate will be enhanced to the original level of 0.6pc after the end of the scheme.

The last date for availing the scheme is Feb 29, 2016.

Tax analysts opine the scheme will hardly attract 25,000 to 50,000 new taxpayers.

On Friday, the finance minister chaired a meeting to review progress of revenue collection in the ongoing Jan-March quarter.

The meeting also discussed the revenue targets set to be achieved during the period from Jan-June 2016.

The meeting had detailed deliberations on the Voluntary Tax Compliance Scheme and took note of the fact that the scheme had been warmly received by traders and members of the business community.

The FBR would undertake an awareness campaign to project the benefits of the scheme and encourage the business community to contribute to the national exchequer with greater zeal.

The tax official said FBR has worked out facilitation measures to woo traders to come under the scheme.

A control room has been established at the FBR headquarters to coordinate activities of its field formations across Pakistan to facilitate and educate the traders about the Voluntary Tax Compliance Scheme.

Moreover, all chief commissioners of regional tax offices (RTOs) have been instructed not to issue any notice to a person who becomes part of this scheme, without the approval of FBR headquarters.

To make the scheme successful and to facilitate the traders' community, focal persons and sub-focal persons have been appointed in all RTOs while informative and explanatory material about the scheme has been published.

"The scheme offers a rare and golden opportunity to the traders to become part of the tax net and do their business with ease and comfort and without any fear of being audited for the next four years," the tax official said.

All RTOs and field formations will hold regular meetings with the representatives of All Pakistan Anjuman-e-Tajraan and the local tax bar associations to address issues which may arise from time to time, added the tax official.

http://www.dawn.com/news/1237662/imf-clears-tax-compliance-scheme

PAKISTAN SEEKS ROLLOVER OF $494 MILLION-LOAN
The Express Tribune, February 6th, 2016.

Shahbaz Rana

ISLAMABAD: Pakistan is seeking a rollover of a $494-million loan obtained from the Jeddah-based Islamic Development Bank (IDB) in addition to seeking a fresh loan for budgetary support, despite the government's boastful claims about the highest-ever foreign currency reserves.

The government has started procedural formalities to seek a debt repayment extension on the loan obtained last year at a mark-up rate of 5%, finance ministry officials say. The loan matured on January 21 and immediately after that, the government initiated the process of seeking a rollover.

Moreover, the authorities have sent a request to the IDB to loan $200 million more for budgetary support, the officials said. The rollover and budgetary support are in addition to $417.8 million loans Pakistan borrowed from the bank between July and December last year.

The government, they added, has sought another $100 million short-term loan, which, if effective, would increase borrowings from the IDB to roughly $518 million in the past seven months alone.

Comparatively, the IDB gives expensive loans than two other multilateral lenders – the Asian Development Bank and the World Bank.

In the last fiscal year 2014-15, Pakistan had borrowed over $1 billion short-term loans from the IDB in the hope of returning them within one year.

Sources in the finance ministry, however, say the government is not in a position to avoid short-term expensive loans due to its adverse implications on the much-touted foreign currency reserves held by the State Bank of Pakistan (SBP).

The finance ministry's latest debt policy report states borrowing from the IDB has been mostly done on a short-term basis under a 'Murabaha' arrangement.

The government is also keen to get the amount rollover to meet an International Monetary Fund (IMF) condition on Net International Reserves (NIR) – the official foreign currency reserves of the SBP excluding the liabilities.

The net official reserves stood at $9.3 billion by December-end, in line with the IMF condition. As of January 29, the country's total reserves stood at $20.275 billion, out of which the SBP reserves were $15.435 billion.

Finance Minister Ishaq Dar had congratulated the nation for crossing the $20-billion mark, although a significant portion of the reserves comprises borrowed funds.

In addition to raising money through the expensive Eurobonds and Sukuk bonds, Pakistan also got $1 billion from China aimed at helping the country improve its reserves position. The government is also regularly getting this money rolled over instead of returning it to Beijing.

The decision to get these rollovers has put a question mark over the claims of largest-ever foreign currency reserves. The IMF's last report on the state of Pakistan's economy shows the country's total external debt will balloon to $70.2 billion by June this year. Almost 50% revenues are spent on servicing domestic and foreign debts.

http://tribune.com.pk/story/1041289/growing-indebtedness-pakistan-seeks-rollover-of-494-million-loan/

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March 2016

NEWS COVERAGE PERIOD FROM MARCH 28th TO APRIL 3rd 2016

IMF TENTH REVIEW

Business Recorder, April 1, 2016

The IMF Executive Board has approved the release of $502 million to Pakistan following the successful completion of the tenth review under the three year EFF. The Ministry of Finance must be commended for not requiring any waivers this time, as all the quarterly quantitative performance criteria and indicative targets were successfully met.

However, IMF has exhorted the Government at the far end of the Program to prepare and implement wide-ranging structural reforms to generate 'strong and inclusive growth'. The performance has been tardy to date in improving the business climate, increasing export competitiveness, reducing losses of state enterprises and raising the quality of tax administration.

In fact, the economy has unravelled somewhat in recent months. Earlier, in January, the IMF had projected a growth rate of 4.5 percent in 2015-16, despite a big cotton crop failure and falling exports. Now, it has preferred to remain silent on the likely growth performance of the economy.

The PBS has reported a growth rate of 4.1 percent in the Quantum Index of Manufacturing up to January. However, it is actually significantly lower at below 3 percent, when the full impact of decline in manufactured exports and fall in production in the iron and steel sector, following the closure of Pakistan Steel Mill, are allowed for. Electricity generation has, in fact, increased by only 3 percent in the first seven months of 2015-16.

The current account deficit in the balance of payments has also deteriorated. It was only $351 million in the first quarter, which has increased to $1.9 billion by February. Imports showed a big decline of 15 percent in the first quarter. Since then non-oil imports have demonstrated buoyancy and by February the decline in imports is down to only 5 percent. Meanwhile, exports continue to fall by almost 14 percent monthly.

Perhaps for the first time during the tenure of the IMF program, foreign exchange reserves have started falling. They increased by almost $2.4 billion in the first six months of 2015-16, but have declined somewhat since then. The receipt of the IMF tranche will essentially be used for retiring Eurobonds of $500 million by end March. Meanwhile the capital flight from the stock market continues putting some further pressure on reserves.

The same unravelling is observed in public finances. FBR revenues performed exceptionally well in the second quarter, with a growth rate of almost 24 percent. However, in January and February 2016, the growth rate has plummeted to 14 percent, despite the holding back of some refunds.

A growth rate of over 27 percent will be required in March if the IMF indicative target for FBR revenues for the first nine months is to be met.

One of the primary reasons for meeting the fiscal deficit target for end-December was the low PSDP spending of Rs 156 billion at the Federal level versus the annual budgetary target of Rs 700 billion. Other reasons included a delay in releases for defence spending and accumulation of a large cash surplus by the Provincial governments.

However, developments in the last two months have been ominous. Not only has the growth rate of FBR revenues faltered but also borrowings from the banking system have reached Rs 580 billion by the middle of March.

This is almost Rs 400 billion above the end-December 2015 level. According to the IMF performance criteria, the fiscal deficit should increase by less than Rs 387 billion this quarter. As such, it is likely that this criterion will also not be met at the time of the eleventh review.

The deterioration in macroeconomic indicators in the last few months is hopefully only temporary in character. It is ironic that as the present IMF program comes close to completion some of the gains in stabilisation have begun apparently to be lost already.

The IMF Press Note highlights explicitly for the first time the extent of over-valuation of the Rupee of 17 percent over the last two years. But overnight this has been deleted from the Press Note. Clearly, the exchange rate appreciation acting as a hindrance to exports has become a major policy issue and could require some action prior to the next review.

The present IMF Program comes to an end in September 2016. The key question is whether the Authorities will seek an extension or allow the Program to gracefully end. There are arguments on either side.

The recent unwinding of the stabilisation process could be further accelerated after the Program ends. Given the lack of robustness of the world economy and overriding uncertainty in global capital markets, the glow of external funds into Pakistan may diminish in the absence of the umbrella of a Fund Program.

The Medium Term Debt Strategy (MTDS) finalised recently by the Debt Policy Co-ordination Office, envisages flotation of $3 billion of Eurobonds in the next three years, in lieu of retirement of existing bonds. The risk premium on Pakistan is already high and without the IMF cover it may not be feasible to obtain such financing. This is what happened after the end of the IMF Program during the tenure of the last PPP government. Foreign inflows dried up and foreign exchange reserves fell by almost $9 billion in two years.

However, a politically expedient strategy is to pursue higher growth from 2016-17 onwards, with elections approaching in 2018. But the present agreement with the IMF is to restrict the fiscal deficit to only 3.5 percent of the GDP next year.

This does not provide the necessary 'fiscal space' to pursue higher development spending and provide tax incentives to stimulate growth. Also, more resources are required for the implementation of CPEC projects.

Given that the next review is due in early June, the negotiations could be rendered more difficult by not only the failure to meet some performance criteria up to March 2016 but also by the need to get the IMF to agree on the parameters of the next year's budget. It will, therefore, be of considerable importance to see the outcome of the penultimate review of the Fund Program.

http://www.brecorder.com/articles-a-letters/187/31421/

TWO TRANCHES: FUND PUTS IN PLACE SIX NEW BENCHMARKS
Business Recorder, April 2, 2016

The International Monetary Fund (IMF) has put in place six new structural benchmarks for the release of the remaining two tranches under the $6.64 billion Extended Fund Facility (EFF) program. This was revealed in the Tenth Review under the Extended Arrangement and Request for Modification of Performance Criteria uploaded on the IMF website.

Pakistan met all indicative targets of the 10th review; however, the Fund included new six new structural benchmarks: (i) issue an executive order to provide financial guarantee to the State Bank of Pakistan (SBP) in case of any losses that are not covered by SBP's general reserves and recapitalize the bank if it becomes necessary and delegate to the SBP board the power to establish profit distribution rules, allowing the board discretion in building reserves and prohibit distribution of unrealised gains by end March 2016;

(ii) identify 50 potential cases of high net worth individuals and other large taxpayers, based on established risk-based audits criteria, and initiate comprehensive income tax audit for at least half of such cases by end March 2016;

(iii) establish communication platforms (phone hotline and website) to facilitate public reporting of corrupt practices in tax administration end April 2016;

(iv) submit amendments to the Fiscal Responsibility and Debt Limitation Act to the National Assembly end May 2016;

(v) prepare and submit a draft legislation for a Public Private Partnership (PPP) framework to the National Assembly end April 2016; and (vi) obtain parliamentary approval for amendments to the PIA Act by May 15, 2016.

The government is planning to introduce a national framework for PPPs to manage fiscal risks of infrastructure projects, which will require appropriate fiscal reporting and management of contingent liabilities.

In line with international good practices and the recommendations of the recent Fund Technical Assistance, the authorities plan to put in place a robust legal and institutional framework for PPPs and submit a draft legislation to the National Assembly by end-April 2016, so notes the report.

However, when Business Recorder tried to access the TA and related recommendations it was not available on the website.

The Islamabad Fund office, when contacted, revealed that the report has not yet been finalised. Be that as it may, the proposed legislation is reportedly aimed at ensuring that PPPs are used only when they offer value for money and that they are systematically included in the overall budget process and medium-term planning exercise, with a gatekeeper role for the Ministry of Finance.

According to the Letter of Intent (LoI) submitted by the authorities a national framework for PPPs will be introduced to promote infrastructure investment within a well-structured fiscal arrangement. "As part of our medium-term development strategy, we will make greater use of PPPs in public procurement for infrastructure projects.

In line with international best practices for PPP, we will develop a draft legislation for a robust legal and institutional framework and share it with IMF staff by end-March 2016. We will accordingly prepare and submit the draft PPP legislation to the National Assembly by end-April 2016," so pledged the authorities in the Letter of Intent.

The IMF in line with the recommendations of recent Fund TA, called for a comprehensive overhaul of the fiscal responsibility and debt limitation (FRDL) Act to introduce more effective fiscal policy rules at the general government level as the existing one has not been able to guide the policy making on debt reduction; but the government pointed out that as some of the recommendations may require a constitutional amendment, requiring a two-thirds majority in parliament which the government does not have, a more limited modification of the Act was agreed which would be submitted to the National Assembly by end-May 2016 and include:

(i) a limit on the federal government budget deficit of 4 percent of GDP excluding foreign grants during the period fiscal year 2017-18 and 3.5 per cent in the subsequent fiscal year 2019-20, thereafter;

(ii) a continuation of the limit on public debt (as defined in the existing FRDL Act) of 60 percent of GDP until fiscal year 2017-18, and subsequently a 15-year transition path toward a debt-to-GDP ratio of 50 percent;

(iii) clearly defined escape clauses with an unambiguous guidelines on the interpretation and determination of events such as national security and natural disasters; and (iv) explicit enforcement procedures and corrective mechanisms, such as the maximum time during which the rule can be suspended and the treatment of deviations.

Pakistan met the indicative targets of floor on net international reserves of the SBP for end December, ceiling on net domestic assets of SBP, ceiling on overall budget deficit, ceiling on SBP's stock of net foreign currency swaps/forward position, ceiling on net government budgetary borrowing from the SBP and cumulative floor on targeted cash transfers spending (BISP) as well as floor on net tax revenues collected by the Federal Board of Revenue (FBR).

http://www.brecorder.com/market-data/stocks-a-bonds/0:/31709:two-tranches-fund-puts-in-place-six-new-benchmarks/?date=2016-04-02

NEWS COVERAGE PERIOD FROM MARCH 21st TO MARCH 27th 2016
ECONOMY STEADILY IMPROVING, SAYS IMF
Dawn, March 25th, 2016

KARACHI: There is no possibility of default in the near future as Pakistan's economy is steadily improving, IMF's Resident Mission Chief, Dr Tokhir Mirzonev said on Thursday.

He was speaking at a seminar organised by Karachi University's Applied Economic Research Centre (AERC), a press release said.

Dr Tokhir also called for removal of subsidies in the public sector.

He said in 2016 Pakistan's economic growth rate is 4.6 per cent while India leads the region with 7.5pc; Bangladesh interestingly has a better growth rate of 6.8pc from China's growth rate of 6.3pc.

"Pakistan's inflation rate and budget deficit have also declined which is a sign of economic growth," he said.

"Tax revenue collection has improved and rose to 11pc but it must be raised to at least 20pc," he added.

"The International Monetary Fund programme in Pakistan started in 2013 to help the country get out of the financial crisis. Of the 6.7 billion dollars; 5.2bn dollars have been disbursed to date," he said.

The programme has structural reform priorities in the sectors of energy, tax to GDP ratio, privatisation of public sector enterprises and lastly improving the business climate and environment.

The IMF resident chief added that Pakistan's foreign debt is around 64pc of its total GDP which is not a very concerning ratio.

http://www.dawn.com/news/1247732

IMF BOARD CLEARS SECOND LAST LOAN TRANCHE OF $6.2 BILLION
The Express Tribune, March 26th, 2016.

Shahbaz Rana

ISLAMABAD: The executive board of the International Monetary Fund (IMF) on Friday approved the second last tranche of the $6.2 billion loan programme and relaxed a condition to allow the central bank to temporarily borrow more to meet the financing needs of China-Pakistan Economic Corridor (CPEC) projects.

The board's decision to approve the tenth review of Pakistan's economy for the period of October-December 2015 enables the immediate disbursement of an amount equivalent to $502 million. This will bring disbursements to $5.5 billion.

Finance Minister Ishaq Dar announced the board's approval and hoped Pakistan will complete the remaining two reviews as well.

In September 2013, IMF had approved a three-year bailout package of $6.2 billion to help Islamabad repay its earlier loans and meet international obligations, to be disbursed in twelve equal tranches. This will be the second last loan tranche, although Pakistan still has to go through two more reviews to complete the programme.

IMF said Pakistan has met all quantitative performance criteria for the second quarter (October-December) of current fiscal year 2015-16. It over performed in the first half budget deficit target of Rs625 billion and increased net international reserves of State Bank of Pakistan to $9.3 billion.

IMF monitors progress on implementation of conditions through five quantitative performance criteria, three indicative targets and numerous structural benchmarks.

The IMF board also approved Pakistan's request for modification in quantitative performance criteria on SBP's stocks of net foreign currency swaps and forward positions for January-March quarter. For the current fiscal year 2015-16, IMF had imposed the ceiling on net foreign currency swaps and forward positions at $1.65 billion, according to IMF documents.

The ceiling on foreign currency swap has been relaxed to create more room for effective foreign currency and domestic liquidity management by SBP, said Tokhir Mirzoev, IMF's country representative to Pakistan while talking to The Express Tribune.

Under the swap arrangement, SBP temporarily borrows from commercial banks in dollar terms for meeting certain obligations. IMF generally is not in favour of such short-term borrowings, as these could be used to artificially inflate foreign currency reserves. The additional space will be used for meeting requirements of CPEC and other pressing needs.

Pakistan and IMF will lock into negotiations for the 11th review from May 2 to May 11, said a finance ministry official. The government will share a blueprint of the new budget with IMF.

It will be the second last review that will pave the way for the release of the last remaining loan tranche.

In the next review, actions on all the issues that have been covered under the Extended Fund Facility (EFF) will be reviewed, said Mirzoev. To a question, the country representative said that the overall budget would be one of the main issues, which will come under discussion.

Finance ministry officials said Pakistan will seek relaxation in next fiscal year's projected budget deficit ceiling of 3.5% of GDP by IMF. They said it will be difficult to cut expenditures in the next fiscal year as some senior party leaders think that the government should go on a spending splurge ahead of the next general elections to spur growth.

http://tribune.com.pk/story/1073045/6-2b-programme-imf-board-clears-second-last-loan-tranche/

NEWS COVERAGE PERIOD FROM MARCH 14th TO MARCH 20th 2016
NO FUNDS RELEASED: KACHCHI CANAL PROJECT FACING DELAY
Business Recorder, March 17, 2016
The government has not released the required funds from Public Sector Development Programme for Kachhi Canal project, which is likely to cause delay in its completion date of December 2016.

Sources said that Ministry of Finance has been providing less than required funds to achieve fiscal deficit target agreed with the International Monetary Fund (IMF). For fiscal year 2015-16, the total demand for Kachhi Canal project was Rs 10 billion; however the budgeted allocation of Rs 4.631 billion has been disbursed.

According to official documents, lower than required release of funds has adversely affected the pace of progress and projected target. The liability against IPC consultancy and security services has accumulated to 2.125 billion to date.

As a result, the contractor is likely to suspend the work which will also delay the completion.

During fiscal year 2014-2015, a demand of allocation of Rs 17 billion in PSDP was made, however, Rs 12 billion was allocated in PSDP and Rs 9.139 billion released while in 2013-2014, government allocated Rs 5.2 billion and released Rs 4.3 billion against a demand of Rs 17.7 billion.

Documents reveal that the trend to release lower than demand for specific projects was evident during the tenure of the PPP-led coalition government. In 2011-2012, the budgeted allocation was Rs 2.6 billion against a demand of Rs 25 billion while in 2010-2011 Rs 1.380 billion was released against the demand of Rs 17 billion.

Musharraf's tenure was no exception and the project inaugurated in 2002 was twice revised upward in terms of cost primarily because of delay in releases of funds by successive governments and now its cost stands at Rs 102 billion with scheduled completion date of December 2016 provided the required funds of Rs 8 billion are made available for the project.

http://www.brecorder.com/market-data/stocks-a-bonds/0/26153/

April 2016

NEWS COVERAGE PERIOD FROM APRIL 25th TO MAY 1st 2016
'PAKISTAN CAN DO IT ALONE ONCE PROGRAMME ENDS'
The Express Tribune, April 29th, 2016.

LONDON: Pakistan will be ready to do it alone when its $6.7 billion three-year International Monetary Fund (IMF) programme ends in September, a senior fund official said on Wednesday.

Masood Ahmed, director of the IMF's Middle East and Central Asia department, said substantial progress had been made in repairing Pakistan's economy and that Islamabad was right to be saying that it does not need another package.

"I think that is a very sensible approach at this stage," Ahmed said. "They have built up their reserves, they have halved their budget deficit, their growth rate is pretty much the highest of all the countries in the region broadly defined.

"Therefore they have completed to a large measure the stabilisation agenda that this programme was supporting."

A total of $1.1 billion of the $6.7 billion package is due to be disbursed before the programme ends in September.

Last month Pakistan's Finance Minister Mohammad Ishaq Dar reiterated these plans when he declared that the country no longer needs the IMF's financial support. He also added that Pakistan has achieved fiscal and monetary stability. "The country has sufficient foreign currency reserves to finance over four months' import bills, which in 2013 were not enough to even finance few days' import bill."

The year has seen some behind-the-scenes grumbling when the government shelved plans to privatise its main power companies.

This month it also switched away from privatising Pakistan International Airlines (PIA) but with growth expected to be 4.5% this year, neither have caused enough alarm.

IMF officials, however, have said that privatisation or restructuring of loss-making public enterprises is one of the key goals of the authorities' structural reform agenda.

"The next phase (once the programme ends) is to continue with the reforms on structural measures that will sustainably raise their growth rate and particularly raise their exports," said Ahmed. "The current level of exports they have, which is about $25 billion, for an economy of over $280 billion it needs to be double that."

Additionally the international lending authority raised the alarm in the wake of the recent Panama leaks tax scandal and called on the government to further strengthen tax administration and its audit capacity.

Ahmed's announcement comes as Pakistan is a few months away from the programme conclusion and it has already availed $5.5 billion. Additionally it is going to negotiate the approval of the last loan tranche of over $500 million from the first week of next month. The upcoming talks are crucial as the fund will also approve the broader framework of the budget for the next fiscal year.

http://tribune.com.pk/story/1093848/liberation-pakistan-can-do-it-alone-once-programme-ends/

NEWS COVERAGE PERIOD FROM APRIL 18th TO APRIL 24th 2016
WORLD BANK MAY EXTEND PAKISTAN $100M LOAN FOR BISP
The Express Tribune, April 19th, 2016.

Shahbaz Rana

ISLAMABAD: The World Bank may extend a $100 million loan to supplement Pakistan's efforts in reaching out the poorest of the poor through its largest social safety net, the Benazir Income Support Programme (BISP).

The preparatory mission of the Washington-based lending agency has already reached the country, which will meet different stakeholders, according to the officials. The officials said that loan preparations are expected to be completed by end of this year.

If approved by the WB board, it will be the third financing by the global lender. WB has already extended two loans, amounting to $210 million. It gave the second loan of $150 million in March 2012, which was originally planned to be closed in June this year.

However, the World Bank has granted six months extension aimed at facilitating the government in initialing the work on the National Socio-Economic Registry (NSER). The registry will become the base for enrolling poorest people in BISP.

"In view of the good progress on BISP, WB is working with the government in preparing a follow-on safety net programme," said a spokesman of the WB country office.

Economic Affairs Division (EAD) officials said that the $100 million loan proceeds would be used for the NSER survey, conditional cash transfers, improving management information system and ensuring better monitoring of the programme.

WB said its assistance for BISP is line with the lender's priorities defined under Sustainable Development Goals (SDGs). The fresh loan will help reduce poverty, ensure inclusive and equitable quality education and promote lifelong learning opportunities.

WB said it stays committed to supporting Pakistan in advancing the social protection agenda as part of its on-going economic and subsidy reforms, which insulate the poor from any adverse impacts by providing income support as well as access to human development. WB had initially supported BISP through a $60 million loan.

BISP has established a NSER through the use of an objective targeting system, hosting a database of more than 27 million households. However, the data requires up-gradation due to concerns of inclusion of ineligible people and also many more people have fallen below the poverty line.

According to a recent revision in the poverty measurement methodology and release of poverty numbers, around 29% of Pakistan's population or 59 million live below the poverty line and a significant proportion is vulnerable to poverty due to any adverse natural or idiosyncratic shock.

BISP will launch the new survey in June this year, which will be completed by end of 2017. BISP has also rolled out the Co-responsibility Cash Transfers (CCT) programme, linking cash transfers to primary school education, which is currently being implemented in 32 districts.

http://tribune.com.pk/story/1087496/social-security-wb-may-extend-pakistan-100m-loan-for-bisp/

NEWS COVERAGE PERIOD FROM APRIL 11th TO APRIL 17th 2016
DAR LEAVES FOR US TODAY TO ATTEND WB, IMF MEETINGS
Dawn, April 11th, 2016

Khaleeq Kiani

ISLAMABAD: A day ahead of Finance Minister Ishaq Dar's weeklong visit to the United States, Chairman and President of the US Exim Bank Fred P. Hochberg visited the Ministry of Finance on Sunday to explore business opportunities for US-based investors and suppliers.

Mr Dar is leaving for the US on Monday to attend spring meetings of the World Bank and the International Monetary Fund (IMF) in Washington and meet finance ministers, investors, suppliers and financial institutions on the sidelines.

Informed sources said there were a lot of opportunities now emerging for global companies and US investors were also looking for taking advantage of the situation. The portfolio of the US Exim Bank was negligible at present and limited to defence sector.

Therefore, the Exim Bank chief is on an exploratory visit to seek preferential opportunities for US investors which were currently being made available by Pakistan to some friendly countries like China and Turkey. Even in major initiatives like China-Pakistan Economic Corridor (CPEC), multi-geographical companies could participate, the sources said.

It was in this background that Mr Dar explained to the Exim Bank chief that the government was seriously undertaking reforms for rehabilitation of the national airline and concerted efforts were afoot to complete energy projects with the resolve to add 10,000MW of electricity to the national grid in its tenure.

Also, General Electric of the US had signed an agreement for supply of gas turbines and related equipment for three 3600MW Liquefied Natural Gas (LNG) based power projects in the country.

"These projects provide opportunities for the Exim Bank to consider long-term financing in different areas, including energy projects, as US companies were already engaged in these projects," finance minister was quoted as saying in an official statement.

The finance minister also briefed the Exim Bank chief on the current profile of the economy, saying that Pakistan, after having achieved macroeconomic stability, was now fully focused on economic growth and job creation. A large number of projects were being implemented in infrastructure and energy sectors.

These projects would provide necessary environment for the private sector to grow and make further investments. He said that gaps in infrastructure and energy supply had hindered economic growth in the country for several years.

The statement quoted the US Exim Bank president as appreciating the economic achievements of the government and showing keen interest in investment opportunities in Pakistan.

He said the Exim Bank would facilitate US investors for investment in the country. US Ambassador to Pakistan David Hale and senior officials of the ministries of finance, aviation and water and power also attended the meeting.

Separately, Mr Dar also reviewed preparations for participation of Pakistan's delegation in the World Bank/IMF spring meetings in Washington from April 15-17.

http://www.dawn.com/news/1251381/dar-leaves-for-us-today-to-attend-wb-imf-meetings

'WORLD BANK TO SUPPORT $15M SKILLS DEVELOPMENT PROJECT'
The Express Tribune, April 12th, 2016.

Shamsul Islam

FAISALABAD: The World Bank (WB) group will support the Punjab Skill Development Fund (PSDF) in launching a $15 million project to train unemployed youth in the 18-29 age bracket in marketable skills.

This was stated by WB representative Ali Qureshi during a group discussion held at the Faisalabad Chamber of Commerce and Industry (FCCI) on Monday.

He said the trainings would be arranged in collaboration with the private sector. He said the data available with the WB suggested that 70 percent of the youth in this age group were educated only up to the secondary school level. He said their absorption in the industry was poor because they lacked employable skills.

Rehana Riffat, another WB representative, said the bank had undertaken a similar project in Kenya that yielded positive results. She said the project was expected to boost industrial productivity and enable a large number of young people to get jobs in the country.

She said to ensure that the project corresponded to the needs of the industry the WB was holding detailed discussions with stakeholders.

PSDF's Zohaib Haq said that the scope of the project would be extended to the entire province based on the outcome of the pilot phase.

Earlier, FCCI president Chaudhary Muhammad Nawaz said that the industrialists were working in collaboration with the Technical Education and Vocational Training Authority to ensure availability of skilled manpower. He welcomed the new project and urged the WB and the PSDF to ensure fair representation of women in its training sessions.

http://tribune.com.pk/story/1083063/world-bank-to-support-15m-skills-development-project/

NEWS COVERAGE PERIOD FROM APRIL 4th TO APRIL 10th 2016
IMF PROGRAMME TOWARDS COMPLETION FOR FIRST TIME: PRIME MINISTER
Business Recorder April 8, 2016

Prime Minister Nawaz Sharif on Thursday said the government was committed to further improve its economic performance, achieve higher growth rate and contain fiscal and current account deficits.

He was talking to Director Middle East and Central Asia of International Monetary Fund Masood Ahmad here at the PM House. The Prime Minister appreciated the role of IMF in assisting Pakistan to achieve economic stability and said the Fund programme was on track for completion for the first time in the history of the country.

He said his government was also improving monetary stability and addressing structural issues. The Prime Minister noted with satisfaction that during the last two and a half years Pakistan had been moving towards sustainable growth after successfully meeting the set performance criteria and indicative targets in collaboration with IMF.

He said the government had achieved robust economic growth in the wake of improved medium-term growth outlook and sustainable fiscal and external positions. He said liberalisation of trade regime and improved business climate had attracted foreign as well as local investors to invest in diverse fields in the country. The Prime Minister highlighted that the main focal areas under the Fund programme had witnessed notable improvements.

Increase in tax revenue through tax administration; increase in foreign exchange reserves well over $20 billion; resolution of energy issues including electricity tariff rationalisation and reforms in the Gas sector have significantly contributed towards economic stability in the country.

The Prime Minister said the confidence of the international financial markets in Pakistan's positive economic outlook was a proof of successful march on attaining long term economic stability. He said the ultimate aim of the government behind all those endeavours was to improve standard of living of the people.

He said the government was also pursuing its development agenda simultaneously for creation of economic activities and generation of employment opportunities leading to reduction in poverty.

Masood Ahmad appreciated the economic turnaround achieved by the government and said the development agenda being pursued by the government would further consolidate the gains achieved so far in Pakistan's economy.

The IMF delegation included Head of IMF Programme Harald Finger and Resident Representative Tokhir Mirzoev. Minister for Finance Ishaq Dar, Governor State Bank of Pakistan Ashraf Mahmood Wathra and other senior officials of the government were also present during the meeting.

http://www.brecorder.com/market-data/stocks-a-bonds/0/33345/
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May 2016

NEWS COVERAGE PERIOD FROM MAY 16TH TO MAY 22ND2016

PAKISTAN RAILWAYS RESTRUCTURING: ADB SET TO APPROVE $300M BUDGETARY SUPPORT LOAN

The Express Tribune, May 20th, 2016

Shahbaz Rana

ISLAMABAD: The Asian Development Bank (ADB) is set to approve $300 million budgetary support loan for Pakistan in the name of public sector reforms amid the country's flagging commitment to privatise the loss-making entities.

The Board of Directors of the Manila-based lending agency will take up Pakistan's request for $300 million loan next month that Finance Minister Ishaq Dar is eager to receive before June 30, said sources in the Finance Ministry.

As is the case with all budgetary support loans that focused on some Public Sector Enterprises (PSEs), this time Pakistan Railways will be at the centre of new loan package and it is required to take six policy actions including retrenchment of its workforce, according to the official documents.

The $300 million loan will be the first tranche of $600 million loan that the ADB will give in the name of restructuring the PSEs during the next two years.

"Privatisation is not the only solution, as the performance of the public sector enterprises can be improved by ensuring financial transparency and implementing good corporate governance," said Werner Liepach, the Country Director of the ADB while talking to The Express Tribune.

Liepach said that the $300 million reform programme would support the efforts of the government to improve performance of public sector enterprises.

Initially the size of the loan was $150 million that has been increased on the request of Pakistan due to its growing debt obligations, said the sources.

The programme will also help in identifying and reducing the contingent liabilities of the public sector enterprises, as the government is accused of concealing the actual liabilities, said the sources in the Finance Ministry.

Under the loan conditions, the government will be bound to allocate resources equivalent to about 0.4% of GDP for the development expenditures of the PSEs.

The ADB has noted that in current fiscal year 65% of federal bailouts were consumed in meeting current expenses, severely limiting critical capital development expenditures to improve their efficiency.

“Power distribution companies, Pakistan Steel Mills and Pakistan International Airlines need substantial upfront reforms and investment as well as efficient management of stakeholder interests before privatisation can materialise,” according to the programme documents.

Pakistan Railways

Pakistan Railways is not on the list of privatisation but requires alternative approaches for improving efficiency, service delivery and asset management as well as reducing contingent liabilities.

The ADB noted that the Railways liabilities have piled up due to maintaining non-core operations, large unfunded pension liabilities, poor revenue generation and poor financial management and internal controls. Liepach said that the ADB was quite pleased with the performance of the Railways in recent years and was willing to invest money for further improvements.

The federal government owns 191 PSEs having an asset base of Rs9.4 trillion in fiscal year 2013-14 and employing more than 420,000 workers.

The Pakistan Railways employees’ strength is 78,000. Pakistan Railways has been picked for retrenching the workforce and it is required to submit a workforce rationalisation plan by next month, according to the documents. The Railways would also digitise land asset database.

The ADB has cautioned that the success of the $300 million reform programme hinges on public awareness of the reform process and benefits and strong government commitment and adequate support from all the stakeholders.

The ADB is eyeing 20% increase in profits of the PSEs and the government’s dividend incomes in next two years as a result of its $300 million investment, which seems an uphill task.

http://tribune.com.pk/story/1106682/pakistan-railways-restructuring-adb-set-approve-300m-budgetary-support-loan/

NEWS COVERAGE PERIOD FROM MAY 9TH TO MAY 15TH 2016
CASA-1000 PROJECT: WORLD BANK SAYS PAKISTAN FACING FINANCIAL GAP
Business Recorder, May 11, 2016

Pakistan is facing financing gap for CASA-1000 project, which may be filled by additional financing from the World Bank (WB). This was shared on the WB website: “currently, there is a small financing gap for Pakistan and Kyrgyz Republic that may be filled by additional financing from the World Bank once the final costs have been established after receipt of the bid prices”. CASA-1000 will put in place the contractual and institutional arrangements, and the transmission infrastructure, to facilitate the export of 1,300 megawatts (MW) of already available surplus electricity in the summer months from Kyrgyz Republic and Tajikistan to Afghanistan and Pakistan.

The Bank”s website further sates that CASA-1000 will alleviate electricity shortages in Pakistan during the peak summer season when demand is highest and help reduce the country”s dependency on costly, polluting oil-based power generation. Security is a key issue for the project, both during construction and operation, the World Bank maintains adding, “Security issues relate primarily to landmines, sabotage and theft of equipment. All country governments have agreed to provide adequate security to contractor”s personnel and goods. Each country has prepared a security management plan for both the construction and operation phases of the line in their respective areas of ownership.

Provision has been kept for payment for any work related to landmines or any additional specific security arrangement to be made by contractors. The community support programs being developed for local communities living near the line for the whole CASA-1000 Project corridor will serve as an incentive for communities to preserve its safe operation. In case of any damage to the line, measures are designed to limit outages”.

The World Bank"s response to a query was that the original design of the project envisaged a High Voltage Direct Current (HVDC) line of about 117km in Tajikistan, 562km in Afghanistan and 71km in Pakistan. However the revised configuration would feature two converter stations in Tajikistan and Pakistan with a separate HVDC back-to-back connection in Afghanistan on an existing 220 kV AC line between Tajikistan and Afghanistan.

The location of the HVDC terminals in Tajikistan will remain in Sangtuda, while in Pakistan it will be moved from Peshawar to Nowshera, a more secure location. The exact location of the back-to-back station in Afghanistan is being finalised. The estimated project cost, including contingencies, taxes and interest during construction, is US $1.17 billion, including transmission infrastructure-$801 million, project implementation support- $30 million, community support program- $70 million, environmental and social cost- $20 million, contingencies- $145 million and taxes and IDC- $104 million.

The agreements reached include open access to the transmission infrastructure to attract sale of power from other Central Asian countries and Russia, when CASA-1000 power is not flowing through the system (ie from October 1 to April 30). The infrastructure can handle power flows in both directions, so all countries are potentially able to import power when it is available from power sources connected to the system.

The World Bank further maintained that Afghanistan, Pakistan and Tajikistan have issued Government Guarantees. The Kyrgyz Republic guarantee is due by July 7, 2016 as per the Master Agreement. The Bank has received formal requests from the four countries for IFI guarantees to cover $40 million risk for two importers and the same for two exporters; this requires additional IDA contributions at 25% of guaranteed coverage required from each country. The construction of the project will take about three years from the date of the contracting of the HVDC Converter Station package (expected in Q2 of calendar year 2017). Other activities will be implemented in tandem.

http://www.brecorder.com/fuel-a-energy/630:/44699:casa-1000-project-world-bank-says-pakistan-facing-financial-gap/?date=2016-05-11

IMF TO PROVIDE $510M AID TRANCHE
Dawn, May 13th, 2016

Khaleeq Kiani

ISLAMABAD: The International Monetary Fund agreed on Thursday to disburse $510 million to Pakistan as the government met all performance targets in the third quarter of the current financial year.

At a joint news conference in Dubai partially shown live on electronic media, Finance Minister Ishaq Dar and IMF Mission Chief to Pakistan Harald Finger announced successful completion of 11th (second last) review of 36-month programme worth $6.4 billion.

"After productive discussions, the mission and the Pakistani authorities have reached staff level agreement on the completion of the eleventh review under the Extended Fund Facility (EFF) arrangement. The agreement is subject to approval by the IMF Management and the Executive Board. Upon completion of this review, SDR 360m (about US$510m) will be made available to Pakistan," said Mr Finger.

Mr Dar said Pakistan's performance was "highly satisfactory" in the third quarter ending on March 31 and successful completion of 11th review was indicative of the government's strong commitment to implementing difficult structural reforms in areas of taxation, energy, monetary and financial sectors and public sector enterprises.

He said the government would consolidate the economic gains achieved so far and go ahead towards macroeconomic stability and work for higher growth and jobs' creation.

“We met all of the end-March 2016 Quantitative Performance Criteria” including those on central bank’s net domestic assets, net international reserves, foreign currency swap / forward position by significant margins,” said the minister.

The quantitative performance criteria on government borrowing from the SBP and budget deficit for end-March 2016 were over-performed, underlining the government’s commitment to sustained fiscal consolidation, he added.

Likewise, the indicative targets of cash transfers through the Benazir Income Support Programme and power sector arrears were also met. Mr Dar said the Federal Board of Revenue had not only achieved its third quarter collection target of Rs715bn but also exceeded it, thus wiping out almost the entire shortfall recorded in the first quarter.

Highlighting this “remarkable achievement”, he said it was for the time after several years that no downward revision had been made in FBR targets and originally fixed targets were on course to be achieved. “Against the indicative target of Rs2,105bn for the first nine months of the year, FBR has collected Rs2,103bn” as collection improved around 19 per cent as compared to the last fiscal year.

The minister said the GDP growth rate for the current year was expected to be around 5pc, down from a target of 5.5pc. The IMF, however, put the growth estimate at 4.5pc for this year and projected 4.7pc for next year, which Pakistan is targeted at 6.2pc.

He said the large-scale manufacturing grew by robust 4.4pc in first eight months, highest in eight years, of current fiscal year compared to 2.4pc last fiscal year. This was contributed by 28pc growth in automobiles, 16pc by fertilisers, 11.6pc rubber products, 11.5pc leather products and 11.2pc by chemicals. Cement dispatches witnessed uptick by over 19pc and there has been a continued credit expansion.

A welcome development, Mr Dar said, was an increase in fixed investment while electricity and gas supplies continued to improve since the start of the current fiscal year and the stock market index crossed 36,265 points a day earlier, highest since August last year, indicating robust economic activity and reflecting investor confidence. Inflation remained contained to less than 3pc during the period July-April of current fiscal year as compared to 8.62pc in 2014 and 4.53pc in 2015.

He said the external sector was stable on the back of continued growth in remittances, flows from international financial institutions, stable exchange rate and low oil prices, which helped contain the current account deficit as foreign exchange reserves stood close to $21bn as of May 9, including the central bank’s $16.125bn and that of scheduled banks’ $4.802bn.

The minister said the government would continue reducing public debt and lay the foundations for a more sustained growth. He said the ratio of FBR taxes to GDP had improved significantly, from 8.45pc in 2013 to 9.5pc in 2015, and was projected at 10.2pc during the current fiscal year. Total tax revenue had increased from 10pc of GDP to 12.2pc.

The IMF mission chief “welcomed the authorities’ strong programme performance in the third quarter” and confirmed that “all end-March 2016 quantitative performance criteria, including the budget deficit target and the floor on the SBP’s net international reserves have been met”.

He said the indicative targets on social spending and power sector arrears had been met while tax target for the first nine months was missed by only Rs3bn. “Most structural benchmarks have also been met,” he said and welcomed government plans to continue with fiscal consolidation in the coming fiscal year, further expand the tax net, strengthen the fiscal responsibility framework, address financial losses in the public enterprises, continue to pursue energy sector reforms, and accelerate competitiveness-enhancing improvements in the business climate. Completing these reforms will help consolidate macroeconomic stability and create conditions for higher growth and jobs’ creation.

Harald Finger said the two sides would meet again in August for discussions on the last review under the programme.

http://www.dawn.com/news/1258042/imf-to-provide-510m-aid-tranche

NEWS COVERAGE PERIOD FROM MAY 2nd TO MAY 8th 2016
PRE-BUDGET TALKS WITH IMF KICK OFF IN DUBAI
Dawn, May 2nd, 2016

Khaleeq Kiani

ISLAMABAD: Pakistan and the International Monetary Fund (IMF) began talks on Sunday in connection with the 11th review of the $6.5 billion Extended Fund Facility (EFF), which would lead up to the finalisation of federal and provincial budgets for the financial year 2016-17.

Finance Secretary Dr Waqar Masood Khan is leading the delegation, which would be in Dubai for a five-day technical level discussion with the IMF mission.

Finance Minister Ishaq Dar, who is currently attending the Asian Development Bank's annual meetings in Frankfurt, is expected to join policy-level negotiations with the Fund next weekend to resolve outstanding issues.

A government official said the government would share the latest macroeconomic indicators and their budget strategy paper for 2016-17 with the fund. Approved by the federal cabinet last week, the strategy envisages measures to achieve higher economic growth while consolidating stabilisation.

He said the government was comfortable with most of the structural benchmarks and performance indicators for end-March 2016, except for major setbacks to the privatisation agenda. This has been a major area of concern for the IMF, which has generally been appreciative of the government's delivery on macroeconomic indicators and policy actions.

"The various setbacks to the privatisation agenda are unfortunate," IMF Pakistan mission chief Harald Finger had told journalists in early April, upon the formal completion of the 10th review and disbursement of $502 million.

The official said the tax collected by the Federal Board of Revenue in the first 10 months of the current fiscal year amounted to Rs2.345 trillion, showing 19pc growth. He added that the tax machinery would need to put together another Rs760 billion in the remaining two months of the fiscal year to achieve their Rs3.104 trillion target.

Power sector performance indicators — such as recoveries and losses — were broadly up to the mark and the passage of a law enabling the divestment of Pakistan International Airlines, a key condition, has now been met.

An expected shortfall in revenue because of problems with the auction of another telecom licence would be offset through lower-than-projected development expenditures, while natural gas tariff would be raised with effect from July 1.

The government will also share with the IMF its plans to reduce discriminatory statutory regulatory orders (SROs) to curtail tax exemptions. The Fund will be told that cutting the fiscal deficit to 3.8pc of the gross domestic product (GDP) — by increasing the revenue collection target to Rs3.735 trillion (a 20.3pc increase) — would remain the main focus of next year's budget.

This would be accomplished through a combination of tax measures and improved tax administration. The government will also be looking to strengthen social safety nets and continue coming up with initiatives aimed at the youth, farmers and other marginalised sectors of the economy.

The development budget of the federal and provincial governments for FY2016-17 would be targeted at Rs1.497 trillion, and the economic growth target will be set at 6.2pc.

The government expects capacity additions in the gas and power sector, as well as additional investments under the China-Pakistan Economic Corridor (CPEC) along with an improved security environment, would help the country achieve the higher growth rate of 6.2pc by the end of next year. The federal public sector development programme (PSDP) may be increased by 14.3pc to Rs800 billion.

Similarly, the cumulative annual development plans of the four provinces would also go up to Rs696 billion next year from this year's revised estimates of Rs600 billion, an increase of 16pc or almost Rs97 billion.

The key sectors for investment under this budget would be national security, rehabilitation of temporarily displaced persons, energy, communications, water and poverty reduction.

Total public sector investment (both federal and provincial) would involve an expenditure of Rs210 billion on energy and Rs470 billion on infrastructure, both federal expenditures. The social sector would consume about Rs545 billion, to be funded mostly by the provinces. All other sectors would attract investments of about Rs280 billion, from both the federal and provincial kitties.

https://www.dawn.com/news/1255717

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June 2016

NEWS COVERAGE PERIOD FROM JUNE 27TH TO JULY 2 ND 2016

ADB APPROVES $600 M LOAN PACKAGE

The Express Tribune, June 29th, 2016.

Shahbaz Rana

ISLAMABAD: The federal government has embarked upon a dangerous path to build foreign currency reserves through borrowings. The Asian Development Bank on Tuesday approved $600 million loan package for Pakistan, increasing new loan contracts to $2.1 billion in just a week.

Under the latest programme, the ADB will disburse the first subprogram of $300 million in a couple of days, according to a handout issued by the Manila-based lending agency after the meeting of its board. The second tranche will be disbursed next year.

The $600 million, the ADP said, would help Pakistan roll out major structural reforms to improve the performance and financial sustainability of its public sector enterprises. The loan will be utilised in financing the budget instead of creating any asset.

Of the $300 million, an amount of $100 million has been borrowed at an interest rate of 2% per annum for a period of 25 years. The remaining $200 million has been obtained at an interest rate equivalent to London Inter-bank Offered Rate plus 0.5% for a period of 15 years.

In the past three years, there has been a drastic shift from getting projects loans used for asset building towards policy loans meant for budget financing.

The government and the ADB showed an unusual haste on Tuesday and signed the agreement for the initial $300 million tranche within hours of its approval from the ADB board.

Apparently, the purpose is to get the money before June 30 aimed at meeting a condition of the International Monetary Fund (IMF) on increasing foreign currency reserves held by the central bank.

Instead of building foreign currency reserves through exports, the finance ministry has been showing an increase in reserves by borrowing expensive foreign commercial loans.

As of June 17, the central bank's own gross official reserves stood at $16.8 billion, out of which over $9 billion have been borrowed from various sources. This includes $1.5 billion foreign commercial bank borrowings. To boot, Saudi Arabia 'gifted' $1.5 billion and China deposited $1 billion with the central bank to help Pakistan 'bolster' its reserves.

The ADB became the third agency that in the past seven days to approve policy loans for Pakistan in the name of reforms. On June 22, the World Bank approved $1.02 billion in a bailout package that followed a $500 million loan approval by the IMF. The WB package includes $420 million guarantees that Pakistan will utilise for borrowing another $1 billion from international debt markets.

The government recently changed the definition of total public debt aimed at understating the actual debt burden. It amended the Fiscal Responsibility and Debt Limitation Act, 2005 through the Finance Bill, 2016 for changing the definition.

Now the public-sector enterprises debt and the publicly guaranteed debt has been excluded from the statutory public debt definition. After including all the borrowings, the IMF has projected Pakistan's external debt at $71 billion as of end June while the finance ministry shows the level of external debt at $53 billion only.

http://tribune.com.pk/story/1132635/adb-approves-600m-loan-package/

BALOCHISTAN GETS $256 M FOR DEVELOPMENT PROJECTS
Dawn, June 30th, 2016.

ISLAMABAD: The Balochistan government will receive more than $256 million for implementation of five different projects in the province.

The breakdown of funding shows approval of $200m credit to strengthen Balochistan government's initiative for community-based water management for irrigation in the province.

Approximately, 42, 800 farm households will benefit from the project's interventions.

Balochistan Integrated Water Resources Management and Development Project will support investments in two of the 18 basins in Balochistan. Nari and Porali river basins were selected based on an assessment of surface water resources development opportunities.

"Balochistan is the least water-secure province in Pakistan and farmers here face the greatest risks from climate change," says Illango Patchamuthu, the World Bank Country Director for Pakistan.

"The project is designed to boost farmer incomes through new irrigation infrastructure and improved on-farm management and rangeland management. An associated objective is building the province's capacity for long-term water resources planning," he remarked.

The main project beneficiaries will be small-holding farmers (up to 12.3 acres) and medium holding farmers (12.35 to 49.4 acres) engaged in irrigated agriculture. The province's hydro-meteorological monitoring and river basin information systems will also be strengthened.

The project will be financed from the International Development Association (IDA) — World Bank's grant and low interest arm. It will be on standard IDA terms, with a maturity of 25 years, including a grace period of 5 years.

The European Union and government of Pakistan on Wednesday also signed two financing agreements worth €59m.

Tariq Bajwa, Secretary Economic Affairs Division, signed the agreements on behalf of Pakistan while Stefano Gatto, Chargé d'Affaires signed on EU's behalf.

The EU and the government of Balochistan have jointly designed a six year programme to which the EU will contribute €45m (Rs5bn approximately) to support community-led local development and local governance.

The Balochistan Rural Development and Community Empowerment Programme will help communities as well as provincial and local authorities to partner in reducing the negative impact of economic deprivation, poverty and social inequality, environmental degradation and climate change.

On the occasion, Mr Gatto said the EU firmly believes in the importance of rule of law as a key factor for inclusive growth and development, applied to every dimension of law, and in particular labour law.

The project will not only help the competitiveness of Pakistani products if they are labelled "fair trade" but will also help Pakistan to improve the use of international standards in terms of environment, he said.

Furthermore, the respect of international environmental standards will allow Pakistan to use the label of "green" products, which will increase competitiveness of Pakistan, he added.

The €12.6m project International Labour and Environment Standards (ILES) will promote the enforcement, implementation and compliance with ILES by public and private sector institutions and organisations in Pakistan.

The EU has allocated €653m to finance development projects in Pakistan during the 2014-2020 period, focusing principally on rural development, education and vocational training, as well as on governance, human rights and rule of law.

http://www.dawn.com/news/1268026

WB TO FUND $200M WATER PROJECT IN BALOCHISTAN
The Express Tribune, June 30th, 2016.

Shahbaz Rana

ISLAMABAD: The World Bank Wednesday approved a $200 million loan for a water resources management project in Pakistan, raising to $5.5 billion the amount of net additional loans that the PML-N government has obtained from the Washington-based lender over the last three years.

Separately, the European Union also signed two financing agreements worth €59 million for Pakistan.

The $200 million credit has been approved to strengthen Balochistan government's initiative for a community-based water management project for irrigation purposes, according to a handout issued by the lending agency on Wednesday.

This is second loan the WB has approved for Pakistan in the last seven days. On June 23, it had sanctioned a $1.02 billion package for budget financing and supporting additional borrowings from international capital markets through WB-backed guarantees.

Until June 2013, when the Pakistan Muslim League-Nawaz-led government came into power, the WB had sanctioned loans worth $24.8 billion. These have since risen to $30.3 billion.

Out of the $5.5 billion approved in the past three years, the WB has disbursed $4.2 billion.

Despite the heavy borrowing, the net increase in Pakistan's debt obligations towards the WB are just $2 billion since the remaining $3.5 billion was used to retire past debts.

The WB said that the Balochistan Integrated Water Resources Management & Development Project would support investments in two of the 18 basins in Balochistan – Nari and Porali river basins. These river basins were selected based on an assessment of surface water resources development opportunities.

Balochistan is the least water-secure province in Pakistan and farmers here face the greatest risks from climate change, said Illango Patchamuthu, the World Bank Country Director for Pakistan.

The WB says small and medium holding farmers, having up to 49.4 acres of land, will benefit from the project. This makes up around 42,800 farm households who stand to benefit from the project. The province's hydro-meteorological monitoring and river basin information systems will also be strengthened.

Pakistan and EU on Wednesday also signed financing agreements for Balochistan rural development and community empowerment programme and the international labour and environment standards programme.

Tariq Bajwa, Secretary Economic Affairs Division and Stefano Gatto, Chargé d'Affaires of the EU signed the agreements in Islamabad on Wednesday.

The EU and the government of Balochistan jointly designed the six year programme under which the EU will contribute €45 million to support community-led local development and local governance to partner in reducing the negative impact of economic deprivation, poverty, social inequality, environmental degradation and climate change, according to a statement issued by the EU delegation to Pakistan.

The Programme will also assist the Balochistan government in formulating a policy framework to institutionalise and sustain community-led local development approaches, and to improve public finance management in the province.

Both the sides also signed an agreement to strengthen labour standards worth €12.6 million.

http://tribune.com.pk/story/1133189/building-balochistan-wb-fund-200m-water-project/

NEWS COVERAGE PERIOD FROM JUNE 20TH TO JUNE 26TH 2016
PACT SIGNED WITH ADB FOR $100M MOTORWAY LOAN
Dawn, June 21st, 2016

ISLAMABAD: The Asian Development Bank on Monday signed an agreement with the Pakistan government for a $100 million loan to build the remaining 64-kilometre section of M4 motorway connecting Shorkot and Khanewal in Punjab.

Secretary Economic Affairs Division, Tariq Bajwa and ADB Country Director for Pakistan Werner E Liepach signed the loan agreement during a ceremony attended by Finance Minister Ishaq Dar and ADB Vice President Wencai Zhang.

The project constitutes a key part of a 1,800km CAREC transport corridor linking the port city of Karachi in the south to major primary production and population centres including Lahore, Faisalabad, Islamabad and Peshawar, and on to Torkham on the northern border with Afghanistan.

Once completed, the transport project will substantially cut travel time between Karachi and Peshawar and link Pakistan with Central Asian countries boosting regional trade and commerce.

"Pakistan must grasp the opportunities presented by its strategic location. Investments in transport and connectivity under the framework of Central Asia Regional Economic Cooperation (CAREC) programmes, as well as other regional cooperation initiatives, can put Pakistan's economic development on an upward trajectory," said Mr Zhang.

The project marks ADB's first co-financing with the Asian Infrastructure Investment Bank (AIIB). AIIB will provide a $100 million loan subject to its board approval later this month. The United Kingdom's Department for International Development (DFID) has also committed a $34 million grant for the project. ADB will administer both the AIIB loan and the DFID grant.

ADB through its transport sector projects is assisting Pakistan to upgrade key sections of primary north-south highways and motorways.

http://www.dawn.com/news/1266169

WB OKAYS $1.02BN FOR ECONOMIC REFORMS, DISASTER MANAGEMENT
Dawn, June 23rd, 2016

Islamabad: The World Bank has approved financing worth $1.02 billion using three different financing instruments to support the deepening of Pakistan's economic reforms and to strengthen the capacity of Sindh to deal with natural disasters.

The Competitiveness and Growth Development Policy Financing (CGDPF) will support the government's efforts to encourage economic growth and investment for reducing poverty and building shared prosperity, the World Bank resident mission announced here on Wednesday.

The CGDPF, to be financed from the International Development Association (IDA), will provide $920 million in budget support to improve the business environment and strengthen fiscal management. The financing combines a credit of $500m and a World Bank guarantee of $420m.

"The government has made significant progress in stabilising the economy, initiating reforms for revenue mobilisation and drawing in the private sector for spurring growth," says Illango Patchamuthu, the World Bank Country Director for Pakistan.

"It is now stepping up efforts through deeper reforms and an accelerated pace of implementation. This will improve the competitiveness of the economy, which in turn will create more and better jobs, lifting millions out of poverty," he said.

The World Bank guarantee is an innovative instrument that will support Pakistan's access to international markets to meet its budgetary financing needs. The World Bank will guarantee up to $420m of financing to be raised by Pakistan, improving the terms under which the Government of Pakistan accesses international financing, and freeing domestic resources for private sector investment.

"The operation will support reforms that contribute towards accelerating growth and fostering an inclusive growth pattern," says Enrique Blanco Armas, Task Team Leader of the Project.

Sindh Resilience project of $100 aims to reduce flood and drought risks in selected areas and to strengthen the province's capacity to manage natural disasters.

"The project would contribute to reduction in vulnerability and risk in Sindh through a combination of physical works, strengthening fiscal resilience, and institutional development activities," says Haris Khan, Task Team Leader of the project.

An estimated 5m people, including both urban and rural populations, will be directly protected from frequent river flooding events. In addition, an estimated 65,000 people who are currently exposed to drought and food insecurity, will also be directly benefitting from the construction of small dams for rain water harvesting and recharging of groundwater aquifers.

http://www.dawn.com/news/1266617

$500M DEAL SIGNED WITH WORLD BANK
Dawn, June 24th, 2016

ISLAMABAD: Government of Pakistan and World Bank here on Thursday signed financing agreement of $500 million IDA Development Policy Credit (DPC) for competitiveness and growth.

Tariq Bajwa, Secretary, Economic Affairs Division, signed the agreement on behalf of Government of Pakistan while Anthony Cholst, Acting Country Director inked it on behalf of the World Bank.

Finance Minister Senator Mohammad Ishaq Dar who witnessed the ceremony welcomed the signing of the agreement and said that the financial support provided by the World Bank was meant to improve the business environment and enhance fiscal management. It focuses on simplification and streamlining of the payment of taxes; improvement in governance and transparency of policies to attract private sector investment and remove entry barriers in the insurance sector.

In terms of enhancing fiscal management, the focus was on withdrawal of discriminatory concessions granted through SROs in the past; improving debt management and strengthening of social safety net programmes, the finance minister added.

He said that the ministry of finance and the World Bank team had been working together on the DPC for quite some time and most of the agreed reform measures had already been completed.

These reforms would enhance the competitiveness and promote ease of doing business in the country.

Anthony Cholst congratulated the government for making significant progress in stabilising the economy and initiating reforms for greater revenue mobilisation and private sector growth.

The World Bank board, which met on June 20, lauded Pakistan for pursuing a reform agenda and continuation of its support to the government.

The board members appreciated the progress made in the past three years by the government and highlighted the financial innovation presented by this operation through combining IDA credit and IBRD policy based guarantee.

http://www.dawn.com/news/1266777/500m-deal-signed-with-world-bank

PAKISTAN SEEKS $1.7BN ROAD INVESTMENT
Dawn, June 25th, 2016

ISLAMABAD: Pakistan is seeking foreign investors for a $1.7 billion road project, a senior official said, as the South Asian nation looks to public-private partnerships (PPPs) to help fund badly needed infrastructure projects.

Pakistan is embarking on the biggest road-building programme in its history, with Prime Minister Nawaz Sharif putting infrastructure projects at the heart of efforts to expand trade and speed up economic growth.

Officials say road projects worth Rs850bn ($8.1bn) are due to be completed in the next three years, which they expect to boost growth by 1-1.5 percentage points per year.

A consortium of Pakistani banks has raised $1.5bn for several motorway projects and the government is seeking investors for a $1.7bn public-private concession to build and operate a 296-km highway between Hyderabad and Sukkur.

Shahid Ashraf Tarar, chairman of the National Highway Authority, said Pakistan wants to do more public-private deals which do not add to government debt due to a constitutional limit on borrowing.

“We have to find creative investments in road infrastructure,” Tarar told Reuters in Islamabad. “We are trying to make this road infrastructure self-sustainable over a period of time…and not a burden to the government of Pakistan.” Tarar said Chinese investors and a Euro-Asian consortium have expressed interest in the $1.7bn Hyderabad-Sukkur project but the concession will first have to be advertised.

He said public-private projects in Pakistan would see investors build the highway, operate it and make money mostly through tolls, before returning it to the government. The life span of the concession is expected to be 20-30 years.

Pakistan’s economy is growing at the fastest rate in eight years but foreign investors have remained wary about taking the plunge in a nation which has been racked by economic turmoil and Islamist attacks over the past decade.

The economy is also likely to receive a boost from a $46bn China-Pakistan Economic Corridor project, including about $4.5bn towards road infrastructure.

Tarar said local banks investing $1.5bn in PPP projects should intrigue foreign investors.

“If it’s profitable for local banks…that should be a good enough incentive for foreign investors to look at our projects with interest,” he said.

About 95 per cent of freight in Pakistan is moved by roads as the colonial-era rail network has crumbled due to chronic under investment. Roads also account for 90pc of passenger traffic in the country of 190 million people.

http://www.dawn.com/news/1267012

NEWS COVERAGE PERIOD FROM JUNE 6TH TO JUNE 12TH 2016
ADB TO PROVIDE SOFT LOAN FOR ROAD PROJECTS
Dawn, June 8th, 2016

PESHAWAR: The Asian Development Bank (ADB) will provide soft loan to the Khyber Pakhtunkhwa government for construction and rehabilitation of all highways in the province.

In this regard, a Memorandum of Understanding (MoU) was signed during the meeting of senior ADB officials with adviser to the chief minister for communication and works Akbar Ayub here at the Civil Secretariat on Tuesday.

A statement issued here said that the ADB would initially provide $150 million for the reconstruction of provincial highways up to 300 kilometres.

The programme will be later expanded to $250 million on successful and satisfactory execution of the first phase. Basic facilities for travellers will also be arranged alongside these highways to make the journey comfortable.

The ADB delegation was led by Jaingbo Ning while the country officer Pawan Karkprn also accompanied him. C&W secretary Mohammad Asif Khan, managing director Pakhtunkhwa Highway Authority Engineer Uzair Khan, director engineering Ejaz Khan and other representatives were also present on this occasion.

Uzair Khan gave a detailed briefing to the bank officials about the road networks and their condition as well as responded to the queries of the delegates. The ADB team said that the required loan would be provided to the KP government as soon as possible to enable the province to rehabilitate its road infrastructure with seismic and GPS supports.

They also said that the financial and technical assistance would be further extended on improved performance of the engineering team of the provincial government.

http://www.dawn.com/news/1263504

IMF TO APPROVE $510 M TRANCHE ON 27TH
Dawn, June 11th, 2016

ISLAMABAD: The Executive Board of the International Monetary Fund (IMF) is scheduled to meet on June 27 to approve disbursement of $510 million to Pakistan that would jack up the country's foreign exchange reserves beyond $22 billion by end of current fiscal year.

Tokhir N Mirzoev, the IMF Resident Representative in Islamabad, confirmed the IMF board is expected to meet on June 27 to consider Pakistan's case for disbursement of next tranche.

He said the IMF staff was engaged in preparing reports for the executive board on the basis of latest economic and fiscal situation and the budget announced early this month.

A government official said Pakistan and the IMF had already reached a staff-level agreement on third quarter performance of the government and broad line of federal budget strategy and targets for 2016-17 and hoped the $510m tranche would stand transferred to Pakistan's account well before the close of fiscal year ending on June 30.

According to Finance Minister Ishaq Dar, Pakistan's performance in the third quarter (ending March 30, 2016) of the outgoing fiscal year was "highly satisfactory" and successful completion of 11th review was indicative of the government's strong commitment in implementing difficult structural reforms in areas of taxation, energy, monetary and financial sectors and public sector enterprises.

In line with IMF staff level agreement, the government has introduced measures in the budget 2016-17. Mr Dar expects these steps to consolidate the economic gains achieved so far towards macroeconomic stability and work towards higher growth and jobs creation.

"We met all of the end-March 2016 Quantitative Performance Criteria including those on central bank's net domestic assets, net international reserves, and foreign currency swap/forward position by significant margins," said a finance ministry statement.

It added the quantitative performance criteria on government borrowing from the SBP and budget deficit for end-March 2016 were over performed underlining government's commitment to sustained fiscal consolidation.

Likewise, the indicative targets on targeted cash transfers through Benazir Income Support Programme (BISP) and power sector arrears were also met. The Federal Board of Revenue (FBR) had not only achieved its third quarter target of Rs715bn but exceeded it, thus wiping out almost the entire shortfall recorded in the FBR collection for the first quarter.

For the first time in many years, Pakistan has not changed its FBR revenue target and was on course to achieve it, the finance minister said.

Mr Dar said the external sector was stable on the back of continued growth in remittances, continued flows from international financial institutions, stable exchange rate and low oil prices, which helped contain the current account deficit.

The two sides would meet again in August for discussions on 12th last review under the $6.4bn extended fund facility (EFF) programme.

http://www.dawn.com/news/1264061

NEWS COVERAGE PERIOD FROM MAY 30TH TO JUNE 5TH 2016
MISPLACED OPTIMISM SURROUNDS MONETARY POLICY REVIEW
Dawn, Business & Finance weekly, May 30th, 2016

Ahmed Jamal Pirzada

THE latest monetary policy announced has moved in the right direction. The policy rate has been reduced further by 0.25 basis points to 5.75pc for the next two months.

Even though year-on-year aggregate CPI-based inflation has increased from 3.9pc in March 2016 to 4.2pc in April 2016, the core inflation — non-food, non-energy YoY — has decreased from 4.7pc to 4.4pc over the same period which is also lower than the 4.5pc observed in February 2016.

Furthermore, the decline in YoY core inflation is much steeper when compared with the 5.4pc observed for the corresponding month last year (April 2015).

However, the tone of the Monetary Policy Statement (MPS) is unduly optimistic. Except for 'uncertainty may arise if there is an adverse change in oil price or workers' remittances,' there is almost no reference to the uncertainties surrounding the economic fundamentals. The decline in core inflation over the last two months, despite substantial increase in food and energy price inflation, points to weakening in demand pressures which were observed building up in the months following September 2015.

Even if the tone is partially justified when discussing inflation dynamics, the optimism surrounding the balance of payments (BoP) numbers can only be termed exaggerated. The current account balance has marginally improved from negative $1.85bn to negative $1.52bn over the period of July-April 2015-16. However, this apparent stability is on account of remittances and low oil prices. On the other hand, trade balance has worsened. While exports have declined across all sectors, imports, other than food and energy, have increased.

The false notion forwarded by some analysts that export receipts have declined because of decline in commodity prices, and not quantity, is not supported by data. The Pakistan Bureau of Statistics (PBS) data on 'index numbers of quantum of exports (and imports)' show that even the quantity of exports has fallen whereas the quantity of imports has increased.

The quantum of exports index has declined from 205 for Oct-Dec FY15 to 193 for Oct-Dec FY16. On the other hand, quantum of imports index has increased from 304 to 356 over the same period. A similar trend is seen across all quarters since FY14. This is consistent with the explanation that the trade balance has worsened due to the appreciation of real effective exchange rate during the last two years and the sluggish international trade.

The net income outflows – mostly made up of interest payments on loans — have also increased by $171m over the period of July-April FY16. More importantly, other investment liabilities, which include international borrowing, have increased from $0.59bn in July-April FY15 to $1.97bn in July-April FY16. Consequently, net income outflows are more likely to increase in the future.

The marginal increase of $109m in net FDI is solely due to increase in the Chinese investment. FDI from the US and the UK has declined substantially. This leaves the foreign direct investment side of the BoP at the mercy of CPEC projects.

Taken together, the strength of the BoP and consequently the SBP reserves is predominantly based on international borrowings and workers' remittances. Large-scale international borrowing, though useful in averting currency crisis, essentially keeps the domestic currency artificially overvalued thus discouraging exports.

In the absence of substantial improvement in trade balance and net FDI, BoP is vulnerable to worsening of Gulf economies which are currently struggling in the face of persistently low oil prices. The growth rate of future remittances may decline. Professor Carmen Reinhart of Harvard's Kennedy School notes that commodity price cycles are much longer than business cycles with booms and busts lasting for 7-8 years each (on average).

The BoP is also expected to come under increasing pressure as outstanding external loan matures and more so if oil prices also start to increase (less likely given weak state of global economy). Yet the MPS makes no mention of these fundamental weaknesses.

Moreover, two of the three reasons mentioned for higher expected inflation in FY17 are essentially supply side shocks including possible increase in global oil prices and 'imposition of new taxation measures and increase in electricity and gas tariffs.' None of these are good news for the economy. Importantly, the economy will return to low inflation levels once the effect of these expected shocks die out.

The MPS rightly observes optimism about 'recovery in large-scale manufacturing.' Improvement in energy supplies during the second half of this fiscal year has helped the LSM to register a '4.7pc growth rate during July-March FY16 compared to 2.8pc in July-March FY15.' It is only reasonable to expect the LSM growth rate to increase 'further on account of improving energy and security conditions.'

http://www.dawn.com/news/1261508/misplaced-optimism-surrounds-monetary-policy-review

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July 2016

NEWS COVERAGE PERIOD FROM JULY 11TH TO JULY 17TH 2016

GOVT MISSES DEFICIT TARGET, WILL NEED IMF'S LENIENT HAND

The Express Tribune, July 13th, 2016.

ISLAMABAD: The government, for the consecutive second year, has missed the 'sacrosanct' budget deficit reduction target of the last fiscal year, and will have to seek a waiver from the International Monetary Fund (IMF) to qualify for the last loan tranche.

Against the IMF-determined target of reducing the budget deficit – gap between income and expenses – to 4.3% of Gross Domestic Product (GDP) or Rs1.292 trillion, the deficit remained slightly higher in the fiscal year 2015-16 that ended on June 30.

"In the last three years, the budget deficit has been reduced from 8.8% of GDP to 4.45%," said Finance Minister Ishaq Dar on Tuesday, while speaking to the officers of the Federal Board of Revenue(FBR).

Pakistan Television aired the speech of the Finance Minister who appeared reluctant to face the media.

"One of the reasons for missing the budget deficit target was less than the targeted economic growth rate in the last fiscal year," said an official of the Finance Ministry.

In the fiscal year 2015-16, economy grew at a pace of 4.7%, although independent economists contest the government's claim of achieving this growth rate.

Dar said in June 2013, when the PML-N government came into power, the budget deficit was 8.8% of the GDP.

However, in the last fiscal year's accounts, the government had not booked Rs660 billion outstanding circular debt, which has been parked outside the budget. The 8.8% budget deficit, which was actually 8.2% in fiscal year 2012-13, also included the circular debt payments.

The government will have to seek a waiver from the IMF Executive Board to qualify for the last loan tranche of the $6.2 billion bailout package.

It was the consecutive second year when the PML-N government failed to achieve the budget deficit target. The government had also missed fiscal year 2014-15 budget deficit target.

Pakistan has managed to complete eleven reviews of the programme, largely because of a lenient IMF that granted over 15 waivers to keep it on track.

Pakistan and the IMF are scheduled to meet in the last week of this month in Dubai to review the economic performance for April-June. The successful completion of the review will pave the way for the release of the remaining $102 million last tranche of the loan.

Dar also claimed that in the last three years, the government turned around the economy. "The country's total foreign currency reserves crossed $23 billion mark, including $18 billion reserves held by the State Bank of Pakistan (SBP)," he said.

The Finance Minister brushed aside criticism that those reserves were largely built by borrowing money. He said that in last three years, the government retired $10 billion loans. "Few people were trying to create confusion that the foreign currency reserves were built through borrowings," he added.

Dar congratulated the FBR officers for 'achieving' last fiscal year's Rs3.104 trillion-tax target and urged them to work harder to achieve the new fiscal year's Rs3.621 trillion annual tax collection target.

He also tried to soothe concerns of real estate sector investors who had panicked after the government brought changes in laws relating to valuation of the properties for tax purposes. Dar said that involving the SBP in property valuation for tax purposes was a big step but there was no need for investors to panic. "The government would engage the real estate sector investors to address their concerns," he said.

The Finance Minister also claimed that the FBR has been insulated from "external pressures".

http://tribune.com.pk/story/1140485/second-consecutive-failure-govt-misses-deficit-target-will-need-imfs-lenient-hand/

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August 2016

NEWS COVERAGE PERIOD FROM AUGUST 22ND TO AUGUST 28TH 2016

ASIAN BANK APPROVES $810M FOR POWER TRANSMISSION SYSTEM

Dawn, August 24th, 2016

ISLAMABAD: The Asian Development Bank (ADB) on Tuesday approved an $810 million multi-tranche financing facility to develop Pakistan's power transmission system aimed at improving the reliability and quality of energy supply, and to meet increasing demand for electricity.

The loan facility will help fund the staged rehabilitation and expansion of the transmission network, increasing transmission capacity and energy efficiency and security.

Under the arrangements, $800m will come from ADB's ordinary capital resources while $10m will be financed through the Asian Development Fund.

It will also support government efforts to develop a more transparent and efficient power sector by promoting reforms in the National Transmission and Despatch Company Ltd, and the sector's newly established commercial operator, the Central Power Purchasing Agency (Guarantee) Ltd. ADB's facility will be delivered in tranches, implemented from 2016 to 2026.

To achieve this, the investment programme includes staged physical investments in the transmission system to increase transmission capacity, improve efficiency and energy security, and evacuate additional sources of power; and non-physical investments to support institutional efficiency, cost recovery, competition, transparency and good governance within the sector.

"A reliable and sustainable power sector is critical to the economic growth and well-being of Pakistan," said Megan Wolf, Energy Specialist with ADB's Central and West Asia Department. "Fast implementation of this facility and related reforms to alleviate power shortages will improve the prospects for the economy."

Power shortages are a major obstacle in Pakistan's economic development. With demand for electricity outpacing supply, inefficient and inadequate transmission and distribution systems are key bottlenecks in the development of the energy sector that is stifling growth and threatens social strife.

Chronic power shortages are estimated to have reduced GDP growth by at least 2pc in 2012 and 2013, and are considered the major cause of the slowdown in large-scale manufacturing, which grew at only 1.1pc in FY12 and 4.1pc in FY13.

http://www.dawn.com/news/1279508

NEWS COVERAGE PERIOD FROM AUGUST 8TH TO AUGUST 14TH 2016
THE IMF AND PAKISTAN
The Express Tribune, August 8th, 2016.

The IMF cleared payment of $102 million in what was the last loan of the three-year Extended Fund Facility (EFF), marking the sixth time in Pakistan's history that it has completed a bailout programme with the lender. The $6.4 billion programme began in 2013 with Pakistan facing a balance-of-payments crisis as foreign exchange reserves were only enough to meet a few weeks of import.

In three years, helped by a lower oil import bill and floating bonds in the international market, Pakistan now has foreign exchange reserves close to $23 billion. In its last review that concluded last week, the IMF granted two waivers, as the country missed targets for the budget deficit and net domestic assets of the SBP by a small margin.

However, the programme was never entirely about budget deficits and controlling spending. The EFF was meant to enable Pakistan pass through a crisis that saw the current account deficit and the budget deficit run sky high, putting the country at risk of default on its international debt payments.

The economy was facing multiple issues including energy woes, which remain persistent, and a security situation that left investors running for cover. Slowly, but surely, some progress was made — aided by the millions of dollars that flowed into the country every few months. Help came along through exogenous factors such as plummeting oil prices that helped narrow the trade deficit, compensating for the fall in exports.

The little progress enabled the finance minister to tap into international markets as his aim to increase foreign exchange reserves got ambitious. Billions were raised through Eurobonds and international debt obligations increased. On the other hand, low oil prices controlled the pace of inflation, which then enabled the government to decrease interest rates to historically low levels.

This, in turn, helped the government borrow even more from private banks which were more than willing to trade in riskless securities that guaranteed higher returns. Subsidies were cut and spending on infrastructure was limited to specific areas.

Gas and electricity tariffs were increased, but the public did not entirely feel the pinch as the low pace of inflation kept expenses in check. It was all working out for the government, which increased tax rates to unprecedented levels and drew a more prominent distinction between those who file tax returns and those who don't.

Revenue sources from all segments were tapped. The corporate sector was tapped through a super tax for Operation Zarb-e-Azb, while individuals were asked to pay withholding taxes that accounted for a major portion of the revenue.

But during the three years, the government's commitments to the IMF were met at a slow pace. The privatisation of loss-making, state-owned entities was one of the hallmarks of the EFF, which promised reforms that would reduce the need for future bailouts. This area remained neglected. Attempts to privatise PIA took an ugly turn.

Power distribution companies were reformed only minimally and their privatisation was shelved, reportedly by the prime minister himself amid fears of a backlash come election time. Stakes in profitable banks were sold, foregoing future income from these entities, and the proceeds were used to finance the budget.

Stipends for BISP beneficiaries were raised, meeting one commitment to the IMF, but also raising questions over the state of those living below the poverty line.

Was the programme a success? Of course, it was. The IMF continued to disburse loans to a nuclear-armed state that was rife with uncertainty, while the country itself continued to show some, if not entirely meaningful, progress. The IMF programme held the country accountable at some level and that kept the government on its toes. Even then, a total of 16 waivers had to be granted. What would happen now that the programme is over is anybody's guess.

http://tribune.com.pk/story/1157609/the-imf-and-pakistan-2/

NEWS COVERAGE PERIOD FROM AUGUST 1ST TO AUGUST 7TH 2016
$14.2BN LOANS, $5.77BN IMF FUNDING OBTAINED IN 5 YEARS: NA TOLD
Business Recorder August 3, 2016

Naveed Butt & Aamir Saeed

ISLAMABAD: Pakistan obtained $ 14.2 billion foreign loans from various banks and $ 5.77 billion from the International Monetary Fund (IMF) during last five years. The country received $3.44 billion under the Coalition Support Fund from the United States of America (USA) during last three years.

Finance Minister Ishaq Dar told National Assembly on Monday in his written replies to questions of the members of the House.

Dar said Pakistan has obtained $ 5.04 billion from the World Bank (IDA), $ 3.24 billion from the Asian Development Bank, $ 2.53 billion from Islamic Development Bank (short-term), $ 1.36 billion from consortium of banks led by Credit Suisse, $ 688.35 million from the Islamic Development Bank, $458.94 million from the World Bank (IBRD), $440 million from consortium of banks led by Noor Bank, $ 272.64 million from Standard Chartered Bank (London), $70 million from Dubai Islamic Bank and $65 million from ECO Trade Bank.

The minister said Pakistan received $ 1.05 billion Coalition Support Fund in financial year 2013-14, $ 1.45 billion in 2014-15 and $ 937 million in 2015-16.

He said the receipts under CSF become a part of the Federal Consolidated Fund, therefore head-wise utilization of the fund is not possible.

He said however, the indicative budget ceiling made under the CSF to defence forces for the last three years is Rs 67 billion in 2013-14, Rs 123 billion in 2014-15 and Rs 80 billion in financial year 2015-16.

In another written reply, the minister told the House that the government has obtained loans from Japan, the Asian Development Bank (ADB), the World Bank and the International Monetary Fund (IMF). He said Japan Programme Loan Agreements were signed between Pakistan and Japan for Energy Sector Reforms Programme during 2014 and 2016, respectively. He said a Loan Agreement for 5 billion yen (equivalent to $ 50 million approx) for Energy Sector Reform Program (II) (DPC-I) was signed on 4-6-2016 between Pakistan and Japan.

He said another loan agreement for 5 billion yen (equivalent to $ 43 million approx) for Energy Sector Reform Program (II) (DPC-H) was signed on 2-2-2016 between Pakistan and Japan. He said the main objective of the program is to revamp the energy sector as reliable, sustainable, and affordable through the implementation of the energy sector reform related to three policy areas; managing tariff and subsidy, improving sector performance and opening the market to private sector participation and achieving accountability and transparency.

He said $ 50 million (1st tranche) and $ 43 million (2nd tranche) was disbursed on 15-6-2014 and 23-2-2016, respectively. The Finance Division is the custodian of Energy Sector Reforms Programme.

About the ADB loan, Dar said four programme loans have been signed with the Asian Development Bank for reforms during the last five-years; (i) Sustainable Energy Sector Reform Program (Sub-program-I/Development Policy Credit-I) loan amounting to $ 399.16 million was signed on 28-04-2014 for Finance Division. (ii) Public Sector Enterprises Reforms Project Loan amounting to million was signed on 28-04-2014 for the Finance Division. (iii) Public Sector Enterprises Reforms Project Loan amounting to $ 18.7 million was signed on 27-01-2015 for Finance Division and (iv) Sustainable Energy Sector Reform Program (Sub-program-2/Development Policy Credit-2) Loan amounting to $ 393.99 million was signed on 26-11-2015 for the Finance Division.

About the World Bank, the minister said Pakistan obtained foreign loans from the WB to introduce reforms as (i) $ 43.5 million for Tax Administration Reforms (ii) $ 600 million for Power DPC-I, (iii) $ 500 million for Power DPC-II, (iv) $ 400 million Growth DPC-I and (v) $ 500 million for Growth DPC-II.

He said Pakistan has obtained foreign loans worth $ 1.653 billion in 2014, $ 2.61 billion in 2015 and $ 1.51 billion in 2016. He said loans obtained from the IMF by the government were to introduce reforms in departments; the State Bank of Pakistan (SBP), the Federal Board of Revenue (FBR), Discos, Gencos, Nepra (through Ministry of Water and Power), petroleum concessions (through Ministry of Petroleum & Natural Resources) P1AC, Pakistan Steel, SLIC, etc.

However, the minister said that it may be noted that during this period $ 4415.2 billion were returned to the IMF as repayment.

To another written reply, the Finance Minister said Pakistan received $ 2.42 billion assistance during last three years. He said Pakistan received this amount for projects in terms of road sector, energy sector, flood sector, water/irrigation sector, urban development sector, public sector and social sector.

In reply to another question, the minister told the assembly that Zarai Taraqqiati Bank Limited (ZTBL) disbursed Rs 90.98 billion loans to agriculture sector.

He said the ZTBL has given Rs 74.3 billion to Punjab, Rs 12.2 billion to Sindh, Rs 3.64 billion to Khyber Pakhtunkhawa, Rs 248.9 million to Balochistan, Rs 312.6 million to Gilgit-Baltistan and Rs 296 million to AJK.

Answering another question, the minister said Rs 317.46 billion were given to provinces under the head of GST and other taxes levied on petroleum products during 2015-16.

He said Rs 161.42 billion have been given to Punjab, Rs 76.59 billion to Sindh, Rs 51.09 billion to Khyber Pakhtunkhawa and Rs 28.36 billion to Balochistan.

http://epaper.brecorder.com/2016/08/02/3-page/781958-news.html

FAREWELL TO THE IMF
Dawn, August 5th, 2016

THE country is all set to bid farewell to the IMF once the final tranche has been received by September, but it is worth bearing in mind that this is not the first of such farewells.

The past track record of the country with the Fund is proof of enduring structural weaknesses in the economy which have left it mired in a low tax base and weak exports.

Abiding fiscal and external deficits are the natural consequence, making repeated approaches to multilateral lenders an essential part of Pakistan's economic history. So how far has the program that is about to be completed gone in rectifying these structural problems?

The Prime Minister may well be sincere when he says he wants to see Pakistan out of the IMF for good.

Unfortunately though, given that many of the weaknesses that sent us to the Fund in the first place are still around, it appears the period of respite will not last more than a few years.

Nevertheless, the government can take credit for seeing the program through, thereby leaving it to the next government to make a fresh approach and have another crack at resolving the fiscal and external difficulties that chronically tie the economy down.

The biggest achievement of the current program is a rebuilding of reserves: these were perilously low when the government came to power in 2013. Its other achievement is keeping a lid on the fiscal deficit and bringing a halt to direct government borrowing from the State Bank.

Along the way, a few other issues have also been sorted, such as withdrawal of SROs, passage of the Anti Money Laundering Act, and some strengthening of State Bank autonomy.

These are not minor accomplishments, but one is hard pressed to see how they can form the basis for a revival of sustainable growth.

The government is now left to its own devices in ensuring a broadening of the base of growth, reforming the power sector, halting the continued rise of accumulated losses in key public sector enterprises, boosting agriculture and shoring up collapsing exports.

This is a tall order for any government, least of all one that is in the final full fiscal year of its rule. So yes, its farewell to the IMF, but for now only.

http://www.dawn.com/news/1275479

September 2016

NEWS COVERAGE PERIOD FROM SEPTEMBER 26TH TO OCTOBER 2ND 2016

MEETING LENDERS: GOVT PREPARES FOR WB, IMF MEETING

The Express Tribune, September 27th, 2016.

ISLAMABAD: Finance Minister Mohammad Ishaq Dar will lead the Pakistan delegation at the Annual Meetings of the World Bank and International Monetary Fund in Washington DC from October 7 to 9.

The finance minister in a statement said that Pakistan has achieved macroeconomic stability in the last three years through reducing energy shortages, higher revenue collection, wider tax base, significant reduction in fiscal deficit and infrastructure development.

He said the government is now focused on consolidating the gains and achieving higher, inclusive and sustainable growth. He said GDP has been over four per cent for three years in a row and reached 4.71% in financial year 2016, the highest in the last eight years.

He said the forex reserves have improved equal to over five months of imports.

http://tribune.com.pk/story/1188907/meeting-lenders-govt-prepares-wb-imf-meeting/

IMF CLEARS $102M FINAL TRANCHE

The Express Tribune, September 29th, 2016.

Shahbaz Rana

ISLAMABAD: The executive board of the International Monetary Fund on Wednesday approved the final review of Pakistan's economy under a three-year $6.2 billion bailout programme, marking the completion of the first financial arrangement in 15 years.

"The IMF's executive board has completed the final review of Pakistan's three-year economic programme, supported by an Extended Fund Facility," said Tokhir Mirzoev, the Resident Representative of the IMF. He said the decision would enable the disbursement of final tranche of about $102.1 million.

"We congratulate the authorities on this accomplishment," said Mirzoev.

Though Pakistan has achieved the targets set in the programme such as reducing inflation and achieving relatively higher economic growth rate, it failed on key end-programme targets like reducing budget deficit, broadening tax base, privatising public sector enterprises and lowering public debt.

Like in the past, the executive board granted two waivers to Pakistan, as the country could not meet targets on budget deficit and net domestic assets (NDA) of the State Bank of Pakistan (SBP) for the period of April-June 2016.

IMF Managing Director Christine Lagarde is visiting Pakistan next month to discuss the post-programme agenda with the government, in addition to seeking feedback from other stakeholders.

The IMF executive board noted the progress Pakistan had made on the economic front during the last three years. Going forward, the IMF has emphasised that Pakistan should further strengthen its public finances and external buffers, broaden the tax net, improve public financial management, strengthen monetary policy framework, address losses in PSEs, complete the energy sector reforms, and accelerate competitiveness-enhancing improvements of the business climate, including the trade regime.

Before Pakistan became part of the IMF's Extended Fund Facility programme, the international lender conducted an assessment that projected the country's situation for a scenario when no reforms would be implemented and a scenario when they would be.

The IMF's without the reform scenario predicted 3% economic growth rate in 2016 and the reform scenario showed it at 3.7%. However, it remained at 4.7% by the end of 2016 — better than the reform scenario's projections. Yet the rate is lower than 7% needed to create jobs for incoming youth every year.

The IMF had projected 11.3% inflation under its baseline scenario and 7% in reform scenario. The inflation during the last fiscal year remained at 2.9%. The IMF's baseline scenario showed 9% budget deficit in 2016 and 3.9% in case of reforms. However, the actual budget deficit remained at 4.6% of the GDP at the end of the programme — missing the target.

Another gray area was the level of the country's indebtedness. The baseline scenario projected 63.6% of GDP debt by 2016 and reform scenario showed it at 60.5% of the GDP. However, the debt to GDP ratio remained close to 65% last year, higher than even the reform scenario projections.

The gross foreign currency reserves reached to a point, which are sufficient to provide cover to four-month import bill -better than reform scenario projections of the IMF.

http://tribune.com.pk/story/1190536/imf-clears-102m-final-tranche/

NEWS COVERAGE PERIOD FROM SEPTEMBER 19TH TO SEPTEMBER 25TH 2016
IMF MD TO VISIT PAKISTAN FOR FIRST TIME IN 10 YEARS
The Express Tribune, September 20th, 2016.

ISLAMABAD: The International Monetary Fund (IMF) managing director will visit Pakistan next month to discuss the post-loan agenda with authorities amid disagreement among domestic stakeholders over the real impact of the assistance on national economy.

IMF MD Christine Lagarde and Asian Development Bank President Takehiko Nakao would visit Pakistan next month, according to a statement issued by the Ministry of Finance on Monday.

It will be for the first time in over 10 years when the head of the global lender will come to Pakistan. Lagarde is expected to arrive on October 23, almost a month after the end of IMF's $6.2 billion three-year Extended Fund Facility for Pakistan.

On September 28, the IMF Executive Board is going to approve the last remaining loan tranche of about $102 million in addition to approving the 12th review of Pakistan's economy for the period April-June 2016.

Even in the last review, the IMF board would have to ease some conditions for clearing the loan as the government has missed two key targets.

"Pakistan has invited the MD and she has provisionally accepted the invitation," said Tokhir Mirzoev, IMF Resident Representative in Islamabad, while talking to The Express Tribune.

He said it was expected that she would have discussions with Pakistani authorities, business community and other stakeholders on economic policies for the country in particular and on global economy in general.

In September 2013, Pakistan obtained a three-year IMF package aimed at avoiding default on international debt repayments and introducing structural reforms in energy, taxation and fiscal areas.

At the end of the programme, the government has claimed victory. The finance ministry has said that the budget deficit has been lowered from 8.2% of gross domestic product (GDP) in 2013 to 4.6% by the end of fiscal year 2015-16, foreign currency reserves of the State Bank of Pakistan have increased to $18 billion and the economy has grown at a decent pace of 4.7%.

However, independent experts question these achievements as the government has abandoned the privatisation programme, could not address the energy sector circular debt and has failed to broaden the tax base.

Dr Hafiz Pasha, prominent economist and former finance minister, has highlighted how the government played with the data.

In a newspaper article, he pointed out that to claim that the budget deficit had been reduced to 4.6%, the government declared a Rs212-billion statistical discrepancy in last year's fiscal accounts.

Over the last three years, the cumulative discrepancy was a colossal Rs605 billion. "This has never happened before and reflects a virtual breakdown of the budgetary process … the IMF staff mission has preferred to ignore this failure," wrote Pasha.

He further wrote that a more realistic estimate of the budget deficit was Rs1.511 trillion, equivalent to 5.1% of GDP. This indicates that the process of fiscal stabilisation has been slow.

The deficit has declined by only 0.4% of GDP in three years compared to the expectation that the deficit would be brought down to 3.5% by 2015-16. Instead, it has remained higher by almost 1.6%.

Earlier, Pasha also countered the government's claim of achieving 4.7% GDP growth, saying the pace of growth was less than 3.5%.

The public debt has risen to almost 68% of GDP in the past three years. Cumulatively, in three years of the PML-N government, the rise in public debt is Rs5.476 trillion. Consequently, the public debt-to-GDP ratio has gone up from less than 65% of GDP in 2012-13 to almost 68% in 2015-16.

Similarly, the government has built foreign currency reserves by borrowing over $11 billion instead of increasing reserves through non-debt creating instruments like enhancing exports and attracting foreign direct investment.

http://tribune.com.pk/story/1184476/october-imf-md-visit-pakistan-first-time-10-years/

WB APPROVES FINANCING TO SCALE UP TARBELA'S POWER GENERATION CAPACITY
Dawn, September 22nd, 2016.

Amin Ahmed

ISLAMABAD: The World Bank has approved an additional financing of $390 million for the fifth extension hydropower project of Tarbela dam that will support the scaling up of the power generation capacity by adding 1,410 megawatts to the existing tunnel no. 5 of the dam.

The project will be financed by the International Bank for Reconstruction and Development (IBRD), with a variable spread and 20-year maturity, including a six-year grace period.

This will be the first World Bank-supported project in South Asia to be jointly financed with the Asian Infrastructure Investment Bank (AIIB) which will be providing $300m and the Government of Pakistan $133.5m. The total cost of the project is $823.5m.

The additional financing of the hydropower project will add low-cost electricity generation during the high-demand summer season.

The loan will finance the installation of a power house at the existing tunnel no. 5 that will enhance the total capacity at Tarbela to 6,298MW.

The tunnel is presently used to release water for irrigation only when the reservoir level is below the minimum spillway-operating level and water releases from the existing power units is not adequate.

“Increased supply at competitive prices from tunnel no. 5 will support economic growth for all enterprises that use electricity, regardless of size or sector,” says World Bank Country Director for Pakistan Illango Patchamuthu.

“In addition to reducing load-shedding, it will also contribute to long-term energy security.”

The construction of the power house on tunnel no. 5 will run parallel to the ongoing work on tunnel no. 4.

The project also includes the laying of about a 50-kilometre-long transmission line for carrying additional generation at Tarbela to the national grid.

The objective of the extension project is to increase the electricity-generating capacity of Pakistan in a sustainable way.

The total cost of the project is $826 million, of which Wapda will finance about $124.5 million and the National Transmission and Despatch Company (NTDC) will provide about $8.6 million. The remaining amount will be financed by the World Bank by providing additional finance under the extended project.

The hydro power project of tunnel no. 5 has two major components: power generation facilities and power evacuation facilities. The major works included under the project are: modifications to tunnel no. 5 and building a new power house and its ancillaries to generate about 1,800GWh of power annually, a new 50km of 500kV double-circuit transmission line from Tarbela to the Islamabad West Grid Station for power evacuation, and a new 500kV Islamabad West Grid Station.

“In addition to maximising the use of existing facilities and meeting the power needs of the country, the project will also introduce a pilot floating solar power plant over a part of the reservoir area,” says Masood Ahmad, the task team leader of the project.

“The successful completion of the pilot and its possible expansion over the rest of the reservoir surface area could lead to an additional generation capacity of 5,000MW of solar power.”

www.dawn.com/news/1285216/wb-approves-financing-to-scale-up-tarbelas-power-generation-capacity

NEWS COVERAGE PERIOD FROM SEPTEMBER 11TH TO SEPTEMBER 18TH 2016
WB DECLINES TO DISCUSS DASU DAM ISSUE WITH CHINESE FIRM
Dawn, September 11th, 2016

Nasir Iqbal

ISLAMABAD: The World Bank has informed a state-owned company of China, which has accused the international lending agency of forcing the Pakistani government to disqualify it from procurement process for the construction of the first phase of the 4,320MW Dasu hydroelectric project, that it cannot discuss the matter at this stage because the process is still under way.

Under the relevant procurement policy, the bank is barred from entering into any discussion or correspondence about the ongoing procurement process until the borrowers — the government and the Water and Power Development Authority (Wapda) — notify the award of contracts for the project, the bank said in a message sent to the Power Construction Corporation of China Ltd (PCCCL).

The Supreme Court is seized with a petition moved by the PCCCL, seeking a direction for Wapda not to make public results of the prequalification process for the construction of the project on the Indus, in Kohistan district of Khyber Pakhtunkhwa.

During the last hearing on the matter on Sept 2, the court had allowed the federal government to approach the bank for timely disposal of a pending petition of the Chinese company about the award of the project's contracts.

The PCCCL had filed the petition through a letter to the bank on Aug 26, expressing concern over the prequalification process for contracts under the project, that too on the direction of the apex court, against Wapda's decision to oust it from award of contracts for the civil works of phase-1 of the project.

In response, the World Bank explained to the company that the procurement process for the two contracts was still under way and therefore it could not discuss the issue now.

"If, after notification of contract award, the [Chinese] company is not satisfied with the borrowers' written explanation regarding its disqualification from the procurement process of MW-1 and MW-2 and wishes to seek a debriefing meeting with the bank to discuss the company's application, it may do so at that time," the letter issued by the bank's team leader for the project said.

In 2014, Wapda had announced the launch of the power generation project for which the International Development Association — a part of the World Bank Group — approved financing for its phase-1 with a credit of $588.45 million.

In August 2014, Wapda's project director for the dam issued a document inviting applications for prequalification from interested parties for the construction of the main works-I (MW-I), including main hydraulic structure, spillway, low-level outlets, river diversions and hydraulic steel structures, as well as for MW-II, including underground power complex, tunnels and hydraulic steel structures.

On March 30 this year, the project director disqualified the Chinese firm from prequalification for MW-I and MW-II, which the company claimed was done on the "dictation" from the World Bank.

Represented by Advocate Salman Aslam Butt, the petition moved by the Chinese firm had challenged in the Supreme Court the June 29 intra-court appeal in the Lahore High Court in which the petitioners' request to suspend the operation of its disqualification had been rejected.

In its petition before the apex court, the PCCCL had argued that non-interference on part of the high court in the face of "manifest illegality and denial of the petitioner's fundamental rights" to equal protection of the law and due process could not be sustained under the law.

The disqualification of the company "on account of dictated exercise of powers" qualified as an arbitrary exercise of executive authority and therefore liable to be set aside on this ground alone, the petition had argued.

The company said that it was a state-owned enterprise with almost 30 subsidiaries and was active in the industry since the 1950s, besides being responsible for more than 65 per cent of China's hydropower projects, including the world's biggest hydropower project — the Three Gorges Hydropower Project.

http://www.dawn.com/news/1283446

NEWS COVERAGE PERIOD FROM SEPTEMBER 5TH TO SEPTEMBER 10TH 2016
'WB IMPORTANT PARTNER IN SOCIAL SECTOR DEVELOPMENT'
The Express Tribune, September 5th, 2016.

LAHORE: Chief Minister Shahbaz Sharif said on Sunday that the World Bank had been an important partner of the Punjab government in social sector development.

At a meeting with a World Bank delegation led by Country Director Patchamuthu Illangovan, the chief minister said the provincial government had been successfully running several public welfare programmes with World Bank's cooperation.

The meeting reviewed progress on the programmes that the Punjab government is implementing in education, health and other sectors with World Bank's help.

Presiding over the meeting, Sharif praised World Bank's role in improvement of social sectors in the Punjab. He said the provincial government had taken measures for improvement of education, health, clean water supply and skill development. He said that reforms were being introduced in education and health sectors. He said that scholarship amount for girl students from class six to 10 had been increased to Rs 1,000 in 16 districts of the province. He said that southern districts had been given priority in this programme.

Referring to the nutrition programme, the chief minister said that it was of vital importance keeping in view the malnutrition among children. He directed the officials to expand the scope of the programme. He said the government was implementing a coordinated skill development programme. Under this programme, he said, thousands of young people would be imparted vocational training by 2018. He said the government would welcome World Bank's assistance for this programme.

Illangovan praised various projects being implemented by the government and establishment of the Punjab Social Protection Authority.

Separately, the chief minister said that those trying to halt national progress for personal gains were enemies of the country.

Talking to elected party representatives, he said the sit-in politics had caused Pakistan a huge loss in 2014. He said that these elements were out again to halt development. He said that protesters had nothing to do with people's problems. He said the politician leading the protest movement was surrounded by land grabbers and those who got billions of rupees loans written off. He said that people had rejected those doing politics of anarchy. He said that those doing politics of agitation should shun this attitude for the sake of national progress. He said that people would hold those accountable who were creating hurdles in the way of national development.

He said the law and order situation had improved considerably. He said that today's Pakistan was safer, more peaceful and economically stronger than before. He said Prime Minister Nawaz Sharif had put the country on the road to progress and strengthened it economically over the last three years. He said the country needed unity and harmony instead of negative politics at this time.

http://tribune.com.pk/story/1176048/acknowledgement-wb-important-partner-social-sector-development/

October 2016

NEWS COVERAGE PERIOD FROM OCTOBER 24TH TO OCTOBER 30TH 2016

THE OTHER SIDE OF PICTURE: AN OPEN LETTER TO THE IMF

Business Recorder, October 24, 2016

Dr Ashfaque H Khan, Dr Hafiz A Pasha, Dr Salman Shah

The three-year programme under the IMF's Extended Fund Facility (EFF) has now come to an end. Pakistan has received $6.1 billion loan from the IMF under this programme. During the tenure of the programme, Pakistan was required to undertake wide – ranging structural reforms and implement the type of macroeconomic policy that would restore macroeconomic stability, gradually promote economic growth and build foreign exchange reserves to bolster external buffers.

After the completion of the twelfth and the final Review, the IMF Staff Mission Report has declared 'victory' and stated that "the Fund Supported Programme has helped the country restore macroeconomic stability, reduce vulnerabilities and make progress in tackling key structural challenges. Economic growth has gradually increased and inflation has declined. External buffers have been bolstered, financial sector resilience has been reinforced, and the fiscal deficit has been reduced while social safety nets have been strengthened".

On the reform side, the Report stated that "tax policy and administration reforms allowed for further revenue mobilisation. Steps have been taken to strengthen the State Bank of Pakistan's autonomy. Energy sector reform allowed a reduction of power outages, energy subsidies, and accumulation of power sector arrears. A country – wide strategy to improve the business climate was adopted".

The Staff Report contains the views of the IMF on the "success" of the programme. We, the three independent economists, through this open letter would like to present the other side of the picture. In particular, we identify the extent of the success, how these "successes" have been achieved and express our disappointment with the failure to implement reforms that are critical for achieving higher growth. Needless to mention, the three authors of this open letter have all dealt in the past with the IMF in senior management capacity at the ministry of finance, either as Federal Ministers or Advisor.

Firstly, building foreign exchange reserves to bolster the external buffer was the main pillar of the hurriedly put together IMF Programme. The idea was to build reserves and repay the then existing IMF loan on time. That is why many independent economists including the ones who remained associated with the IMF for a long time termed the programme as 'Self-Serving Programme'.

Such an objective of the programme forced the government to borrow extensively to build foreign exchange reserves and in the process accumulate net external debt of over $12 billion during the programme period. Incidentally, Pakistan added exactly the same amount to its foreign exchange reserves, that is, from $6 billion in end-June 2013 to $18.0 billion in end-June 2016. The above facts clearly suggest that we improved the external buffer entirely through adding external debt. Isn't it simply postponing the current problem of insolvency to a future date?

Secondly, in a three year programme, the IMF has extended sixteen waivers. Perhaps never in the history of the IMF did Pakistan receive such a large number of waivers. This diluted the purpose of the programme and also reflected on the lack of emphasis towards implementing and achieving the stated goals of the programme.

Sadly, the IMF Staff Mission has selectively highlighted the improvement in some economic indicators from 2012-13 to 2015-16. This includes rising economic growth, falling rate of inflation, rising tax-to-GDP ratio, higher spending under BISP and private sector credit and falling subsidies as percentage of GDP.

The rate of economic growth achieved in the last three years remains contentious. The Pakistan Bureau of Statistics (PBS) has estimated the GDP growth rate as 4 percent or above each year, reaching 4.7 percent in 2015-16. The authors have presented contrary evidence that the growth rate has been exaggerated each year, and it has ranged between 3.1 to 3.7 percent during the programme periods. The Data Quality Assessment Framework (DQAF) of the IMF should have been used to check the reliability of the national income estimates.

We would like to quote the recent statement of the Managing Director of the IMF as posted on September 1, 2016 by the IMF direct. In her words "The longer demand weakness lasts, the more it threatens to harm long-term growth as firms reduce production capacity and unemployed workers are leaving the labor force and critical skills are eroding. Weak demand also depresses trade, which adds to disappointing productivity growth".

This statement clearly depicts the current state of economic growth and unemployment in Pakistan in terms of the social costs of the excessive focus on stabilisation policy. The persistence of lower economic growth has failed to create enough jobs. People in general and youth in particular, are finding difficulties to get jobs. People remaining unemployed for a longer duration are becoming unemployable, with all its social and economic consequences. Not only that the unemployment rate has surged to a 13 years high at over 8.0 percent (including the 'discouraged worker' effect), youth unemployment rate has also increased to over 11 percent in 2014-15. Furthermore, between 2012-13 and 2014-15, the annual number of entrants into the labour force has been approximately 650,000 as against 1.3 million during 2008-13.

A particularly worrying feature of the current employment situation is the extremely high unemployment rate of 20 percent of workers with either graduate or post graduate degrees. There are 2.4 million educated workers with bad employment prospects. This is the unfortunate outcome of the IMF Programme.

On the size of the fiscal deficit, the IMF Report claims that this has been reduced from 8.5 percent to 4.6 percent of the GDP. A number of steps have been taken to report smaller deficits. For example, holding back refunds and forcing commercial entities to pay taxes in advance to jack up revenue, privatization proceeds and foreign grants treated as non-tax revenue to inflate overall revenue rather than treating them as financing items, engaging in quasi-fiscal operations outside the budget, allowing for large statistical discrepancy each year (cumulatively Rs 600 billion in three years) to show lower expenditures, exaggerating the size of the Provincial cash surplus, retaining earmarked revenues in the Federal consolidated Fund and building up large contingent liabilities (over Rs 1400 billion of power sector circular debt, accumulation of debt in commodity financing and pending tax refunds). The IMF staff has either been blissfully unaware of or has condoned this creative accounting. Adjusting for these practices implies a fiscal deficit each year in the range of 7.0 to 8.0 percent of the GDP.

Other areas, where serious distortions exist, are: the estimates of the GDP deflator; investment and saving rates and rate of inflation, especially for poor households. A case ought to have been made for complete operational autonomy of the PBS.

Yet another "success" of the programme as stated by the IMF Staff Mission is the sharp reduction in inflation rate. It has declined from 7.4 percent in 2012-13 to 2.9 percent in 2015-16. Does this decline owe to the 'prudent' fiscal and monetary policy pursued during the programme period? The answer appears to be in the negative. The international oil and commodity prices started collapsing since June 2014. Such a collapse in the oil and commodities prices led to a world-wide decline in inflation, including in Pakistan. Furthermore, as stated above, the pursuance of stabilisation policy for a prolonged period weakened the domestic demand, resulting into deceleration of prices. Thus, the sharp decline in inflation during the programme period owes to the weakening of domestic demand, as well as a collapse in the international prices of oil and commodities and not to the prudent use of monetary and fiscal policy. In fact, when inflation rate was rapidly on the decline, the SBP was pursing an easy monetary policy.

The quarterly reviews have ignored the deterioration in key economic indicators. They failed to discuss big decline in exports – to – GDP ratio, stagnation in the overall and private investment – to – GDP ratio, fall in FDI, rise in external debt and public debt – to – GDP ratios, fall in total PRSP pro-poor expenditure to GDP and very importantly, a rise in the rate of unemployment especially among young, educated, and female workforce. Only 750,000 jobs were created annually in 2013-14 and 2014-15 as against 1.1 million jobs annually earlier.

As stated above, Pakistan was asked to implement a wide-ranging reforms under the IMF Programme. What has been the performance on the reform side?

The glaring failure of the Fund programme is in the implementation of power sector reforms. The 12th Review Report declares victory primarily by demonstrating that the subsidy to the sector has fallen massively from 2 percent of the GDP in 2012-13 to only 0.6percent of the GDP in 2015-16.

How has this been achieved? The answer is not by any major improvements in efficiency through big reduction in losses. Instead, the policy has been to raise the power tariffs to generate more revenues and thereby reduce the need for subsidies. From 2012-13 to 2015-16, the average electricity tariff (including surcharges) has been enhanced by 40percent, leading to extra revenues of distribution companies of over Rs 250 billion. The tariffs have been increased at the time when the fuel costs have fallen by over 49 percent.

On top of this, contingent liabilities have increased exponentially in the sector. Today, the circular debt of the sector stands at almost Rs 630 billion, over 2 percent of the GDP. Sooner or later, this debt will have to be retired, as happened in 2012-13, if a breakdown is to be avoided in supplies due to liquidity problems in the sector.

IMF also claims on behalf of the Government, that power load-shedding has been substantially reduced, especially in industry. Evidence to the contrary is the large continuing demand-supply gap according to NEPRA, and the fact that electricity consumption per industrial consumer has fallen in nine out of ten distribution companies, in comparison to the level achieved in the pre-load-shedding years.

The IMF Twelfth Review has highlighted, as one of the key successes of the Programme, the over two percent points increase in the tax-to-GDP ratio. Much of the improvement has come in 2015-16. How has this been achieved? The main contribution is actually from enhancement in effective tax rates and not by broadening of the various tax bases.

The tax structure has become more regressive and created more distortions in economic activity. Furthermore, various levies which used to be the part of non-tax revenues prior to the IMF Programme were renamed as ‘other taxes’ and added to the tax revenue collected by the FBR to arrive at ‘new’ tax – to – GDP ratio. Such a practice has made the ‘new tax – to – GDP ratio non-comparable with the pre-IMF Programme period.

The biggest failure is in lack of development of the direct tax system. The elite continues to enjoy wide ranging tax exemptions and concessions like the virtually no or low taxation of global income, profits of private companies, agricultural income and unearned capital incomes. The IMF clearly prefers not to antagonise the ruling elite through its reform agenda.

Contrary to the claims by the IMF, living standards have probably fallen in Pakistan during the tenure of the Programme. A number of reforms undertaken have contributed to rising unemployment and poverty.

The anti-poor actions include, firstly, the rise in input costs of fertiliser and electricity in agriculture due to hike in power and gas tariffs and additional taxation in the form of the GIDC. The result is that food prices have risen faster than the overall CPI and wages of unskilled workers. Today, Pakistan has the extremely serious problem of malnutrition. In the 2016 ranking of the Global Hunger Index, Pakistan has the 11th lowest position, even below Bangladesh, out of 118 countries. The non-implementation of the PMs agricultural package of September 2015 under the IMF pressure has contributed to the recent debacle in the sector.

Secondly, the primary adjustment mechanism for achieving the fiscal deficit targets in the Programme has been large cut backs of up to 30 percent in budgeted development spending by the Federal and Provincial governments. In 2015-16 alone these cuts have implied less employment generation of almost 300,000 jobs. Thirdly, hikes in indirect taxes have affected the cost of living adversely.

This includes the levy of minimum import tariffs on basic food and other items and jump in GST rates on petroleum products, especially HSD oil. Fourthly, the decline in exports has contributed to loss of employment in labor-intensive sectors like SMEs and textiles. Consequently, as highlighted earlier, the underlying unemployment rate has gone beyond 8percent. Fifthly, social indicators have shown only minor improvement in three years. This is due particularly to the pressure on Provincial governments to spend less on social and other sectors so as to generate large cash surpluses.

According to the original Programme projections, exports were expected to show a steady annual growth rate of 8percent and reach $30 billion by 2015-16. Instead, they have been falling since 2012-13 to below $22 billion last year, a short fall of over 23percent. This is perhaps one of the single most important failures of the Programme. It has adversely impacted on growth and employment in the country and frustrated the achievement of greater self-reliance.

How did the Programme reinforce the anti-export bias? The record level of external borrowings during the last three years has led to a form of 'Dutch Disease'. Larger reserves, based completely on external borrowing, have created artificial stability in the value of the rupee, thereby reducing competitiveness.

Enhancement of electricity tariffs by over 40percent and gas price to industry by 64 percent, further affected competitiveness. In an effort to meet the Programme revenue targets, FBR has held back over Rs 200 billion of refunds, leading to liquidity problems for exporters. Further, levy of a minimum import duty on raw materials and intermediate goods has added to costs.

Today, the decline in ability to service external debt obligations, including those to the IMF, is clearly demonstrated by the phenomenal increase in the external debt to exports ratio. It was 193 percent in 2012-13 and has risen to 266 percent by the end of 2015-16. It is likely to continue rising and go beyond 300 percent by 2017-18. There is no other option now in the post-Programme scenario but to present a strong export incentive package, including significant depreciation of the Rupee.

The original Programme projections were that external financing requirements, consisting of external debt amortisation and the current account deficit, would reach $9.2 billion by 2016-17 and fall to $8 billion in 2017-18. However, following the much larger build up of external debt, the latest estimates of the financing requirement in the 12th Review is $ 10.9 billion in 2016-17, rising to $13.2 billion in 2017-18.

However, these estimates are based on significant positive growth in remittances and exports and a big jump in FDI. This is highly unlikely given the current trends. A more realistic estimate of external financing requirement is $15 billion in 2016-17 and $18 billion in 2017-18. This is more than 5percent of the GDP, which is considered the danger point. Part of this requirement will have to be met by a sizeable depletion of foreign exchange reserves. There is a high likelihood that by June 2018, reserves may fall to about half of the present level.

Where is the sustainability of our external position? Has the IMF Programme reduced our vulnerabilities? Are we doomed to go back once again to the IMF? Will conditionalities next time go beyond the usual prior actions? Already, two weeks after the end of the IMF Programme, Pakistan has been forced to float relatively high cost bonds externally of $1 billion. This indicates a lack of confidence in the sustainability of reserves in coming months and years.

Finally, in the immediate aftermath of the IMF Programme, the economy has begun to unravel. Agricultural growth was negative last year and the prospects for the current cotton crop are not much better. Growth of the large-scale manufacturing sector has also turned negative in the last four months for which data is available. Seven out of the twelve industrial groups are showing declining output.

The fall in exports continues and the trade deficit has risen sharply. Remittances are also contracting, along with a sharp reduction in FDI. FBR tax revenue growth has plummeted and large borrowing has been resorted to by the Federal Government from SBP. Development releases of funds have been relatively small and the process of implementation of CPEC infrastructure projects is very slow.

Contingent liabilities have reached alarming levels and the bleeding of public sector enterprises/utilities continues. Can we still say that the reforms implemented during the tenure of the Fund Programme have left the economy in a 'sustainable position'? The answer, unfortunately, is an unambiguous no.

http://www.brecorder.com/articles-a-letters/187/96110/

ADB OFFERS TO INCREASE ASSISTANCE TO HELP PAKISTAN BECOME TRADING HUB
Dawn October 26th, 2016

Khaleeq Kiani

ISLAMABAD: Asian Development Bank (ADB) President Takehiko Nakao on Tuesday offered to increase its development assistance to Pakistan and called for improved governance and security, reviving agriculture and increasing exports.

"Given the strong economic credentials of Pakistan and growth trajectory, the ADB is actively considering to increase its assistance in infrastructure, roads and railways, port facilities and energy sector in Pakistan," the Ministry of Finance quoted Mr Nakao as saying.

The ADB president arrived on Tuesday on a two-day visit and met Prime Minister Nawaz Sharif and Finance Minister Ishaq Dar. He will also attend Central Asia Regional Economic Cooperation (CAREC) ministerial meeting on Wednesday.

He discussed with Prime Minister Sharif the government's development priorities, ADB's partnership and conveyed his condolences to the people of Pakistan for the tragic Quetta incident.

"While there are still key challenges to be addressed," Mr Nakao said he was encouraged by the government's resolve to stay on course with structural reforms to reduce the fiscal deficit and contain inflation to boost growth. "Continued progress depends on addressing remaining issues such as governance and security, reviving the agriculture sector, and increasing exports," he said.

He also met International Monetary Fund (IMF) Managing Director Christine Lagarde, an ADB statement said.

Mr Nakao appreciated the successful completion of the IMF programme, saying this was seen as Pakistan's commitment to economic stability as evident from high forex reserves, single-digit inflation, and high growth projections.

Mr Dar said Pakistan valued its partnership with ADB and sought expanding these ties in development of economically viable infrastructure and energy projects. He said Pakistan was now focusing on higher economic growth after achieving macroeconomic stability.

The ADB president said tax reform initiatives have begun to improve revenue performance and there has also been progress in public enterprise reform, business climate improvements, and restructuring of the power sector, supported also by ADB and the World Bank.

Under an ADB country partnership strategy (CPS) 2015-19 endorsed in August 2015, the lender will support the government's priorities focusing on infrastructure upgrades and institutional reforms. On an average sovereign finance for the last three years 2013-15 was $1.5 billion.

Six sectors are targeted under the CPS—energy; transport; agriculture, natural resources and rural development; water and other urban infrastructure and services; public sector management; and finance. The assistance for 2016 will amount to about $1.46bn, of which $737m has already been approved.

This is complemented by more than $360m of co-financing from bilateral and multilateral sources including funding for the M4 motorway with the Asian Infrastructure Investment Bank and the UK Department for International Development (DFID).

Projects in the energy sector comprise over half the ADB assistance to Pakistan. In 2015, ADB approved loan assistance of nearly $1.4bn for two energy sector programmes. Out of this the first tranche of $400m for a multi-tranche financing facility will help introduce an advanced electricity metering system for power distribution companies, while assistance of $400m will give budget support to reform policy and build an affordable and secure energy sector.

ADB is also helping to decongest Pakistan's overburdened transport systems, upgrading highways and provincial roads to position the country as a future regional trading hub. Under the CAREC framework, ADB is working with Pakistan to expand its key north–south highway network to help boost the country's trade and connectivity with other CAREC member countries.

In the social sector, ADB is assisting the Benazir Income Support Programme in reaching out to women beneficiaries through a cash transfer programme of $430m that was approved in 2013. It is helping Pakistan extend income support to poor families and the country's most vulnerable groups.

http://www.dawn.com/news/1292228/adb-offers-to-increase-assistance-to-help-pakistan-become-trading-hub

ADB OFFERS $100M FOR BALOCHISTAN WATER PROJECTS
Dawn, October 28th, 2016

Saleem Shahid

QUETTA: Asian Development Bank (ADB) has shown interest to provide financing for the construction of two watersheds in Zhob and Mola to boost agriculture and irrigation in these areas.

ADB Director Environment Natural Resources Division and West Department Akmal Siddiq made this offer in a meeting with Chief Minister Balochistan Sanullah Zehri on Thursday.

The total cost of the project will be around $115 million and ADB will provide $100m over a period of 25 years with easy terms and condition under soft-loan while the rest of the money will be provided by the Balochistan government.

ADB representative Akmal Siddiq said that under the proposed project many small schemes like construction of small dams, water channels and flood protection infrastructures will also be developed. There were also talks of introducing a drip-irrigation system in Balochistan which is very successful in areas where water scarcity is a big issue.

The chief minister while addressing the meeting said that the incumbent government would welcome projects to the improvement of agricultural and irrigation sectors in the province.

"Balochistan's coalition government is taking concrete steps to introduce the latest technology in agriculture sector as it is the backbone of the economy of the province," he said, adding that around 80pc of the population was linked with agriculture and livestock. He informed the meeting that work on a number of agricultural projects was underway and following their completion a huge positive change is expected in the life of the masses in the province.

http://www.dawn.com/news/1292624/adb-offers-100m-for-balochistan-water-projects

NEWS COVERAGE PERIOD FROM OCTOBER 10TH TO OCTOBER 16TH 2016
GOVT MISSED IMF EXTERNAL DEBT TARGETS BY $14 BILLION
The Express Tribune, October 16th, 2016.

Shahbaz Rana

Islamabad: The PML-N government has, over the past three years, borrowed $14 billion more than the projections the International Monetary Fund (IMF) made three years back as authorities have failed to increase exports and attract foreign direct investment (FDI).

By the end of fiscal year 2015-16, the government's external borrowings stood at $73 billion, $14.2 billion more than the projections IMF made in 2013 before approving the three-year Extended Fund Facility (EFF) for Pakistan, the latest IMF report shows.

Comparison of external debt, exports and FDI figures given in the September 2013 IMF report with statistics contained in the 12th Review Report of Pakistan's economy reveals the entire additional borrowings were prompted by a dip in exports and FDI.

The IMF had hoped for higher FDI and export levels, expecting that reforms introduced under the three-year bailout programme would remove structural bottlenecks. However, the government could not implement these policies, as a result of which non-debt creating foreign inflows kept drying.

Three years down the line, exports remain a whopping $10.2 billion below IMF projections while FDI fell short of the lender's estimates by $3 billion, according to the IMF report.

The staggering figure belies the government claim that it has turned around Pakistan's economy in its three years in power, as it could not create a business friendly environment, which is a prerequisite for expansion in economic activities.

Had the government achieved the FDI and export targets, Pakistan's foreign debt would have been $58.6 billion by June 2016 as opposed to the current $73 billion.

"Exports have been declining; private investment (including FDI) is too low to support higher growth; public debt is still too high," the IMF report states.

In September 2013, the IMF estimated Pakistan's exports would peak at $31 billion by June 2016 from that year's level of $24.5 billion. Exports actually fell to just $20.8 billion by June 2016, according to the Pakistan Bureau of Statistics (PBS).

The government blames international commodity prices for reduction in exports, which is just one of half a dozen causes, including bad governance.

The IMF said the fall in Pakistan's exports reflects lower international prices of cotton and rice, a weak business climate, and competitiveness losses from an appreciating real exchange rate. "We do see a decline in exports going forward due to appreciation of the Real Effective Exchange Rate, security and governance challenges and power outages," said Harold Finger, IMF Mission Chief for Pakistan, on Thursday.

Due to the slump in exports, IMF projections of external debt to exports went off by a wide margin. IMF had projected that at the end of its three-year programme, external debt as a percentage of total exports would be 156%, down from 204% in 2013. However, the external debt to exports ratio went up to 265.8% due to decrease in exports and subsequent increase in debt, the IMF report shows. The ratio was far higher than the 2013 level, suggesting the difficulties that the government will now face in retiring debt.

In 2013, IMF projected FDI would grow to $4 billion due to implementation of reforms under its EFF – a goal that the government missed by a margin of $2.8 billion. In terms of total size of economy, FDI at the end of 2015-16 was even less than the 2013 level.

“We could not increase FDI to desired levels due to energy sector bottlenecks.” Board of Investment (BoI) Chairman Miftah Ismail toldThe Express Tribune. He said gas connections for new factories are banned while existing factories are also not getting additional supplies. Ismail said there was marked improvement in electricity supplies to factories in Punjab. He added that low levels of savings also kept overall investment at the low end and hoped that things may change next year.

Increase in cost of doing business due to heavy taxation, bureaucratic snags and bad governance are other reasons that kept foreign investors at a distance, according to independent experts.

http://tribune.com.pk/story/1199751/govt-missed-imf-external-debt-targets-14-billion/

NEWS COVERAGE PERIOD FROM OCTOBER 3RD TO OCTOBER 9TH 2016
IMF PROJECTS 5PC GROWTH
Business Recorder, 5 October 2016

Tahir Amin

ISLAMABAD: The International Monetary Fund (IMF) has projected a 5 percent GDP growth rate for Pakistan for the current fiscal year.

This growth rate is identical to that projected by the World Bank in its report titled “South Asia Economic Focus” but differs from the Asian Development Bank’s projection of 5.2 percent in its report, “Asian Development Outlook (ADO-2016) Update.”

The IMF’s latest World Economic Outlook (WEO) report states that because of the ongoing IMF programme with Pakistan, the series from which nominal exchange rate assumptions are calculated are not made public as the nominal exchange rate is a market-sensitive issue in Pakistan.

According to the report, the unemployment ratio increased to 6 percent in 2016 and is projected to remain at 6 percent in 2017.

The Fund has further projected consumer prices at 4.5 percent and 5 percent for 2016 and 2017, respectively against 3.2 percent for 2015.

http://epaper.brecorder.com/2016/10/05/1-page/799720-news.html

$82M WB PROJECT TO DEVELOP OLD CITY AREAS FINALISED
Dawn, October 6th, 2016

Habib Khan Ghori

KARACHI: Sindh Chief Minister Syed Murad Ali Shah has said that he is committed to transforming Karachi into a livable, green and resilient metropolis by focusing on growth, prosperity, sustainability, inclusiveness and service delivery in the city.

“The old area of the city will be turned into an area worth visiting where everyone would like to own a house,” he claimed.

The chief minister stated this while presiding over a meeting here at CM House on Wednesday to finalise a World Bank-assisted $82 million ‘Karachi Livable Improvement Project’ to develop old areas of the city. The project was finalised in the meeting.

The meeting was attended by additional chief secretary (development) Mohammed Waseem and his team, principal secretary Naveed Kamran, finance secretary Hassan Naqvi and others.

The chief minister said that Karachi was the hub of national economy which contributed 15 to 29 per cent to the gross domestic product.

"But its economic growth particularly on the city core has been very slow over the past two years and it is quite painful to see Karachi at 134 number in the list of Global Livability Index of 140 countries," he said.

"Because of gaps in infrastructure and basic services, large areas within the city are undeveloped, the heritage assets are dilapidated with an unbelievable decline in green areas."

Mr Shah said that the World Bank had provided technical assistance for conducting Karachi City Diagnostic (KCD).

"On the basis of KCD reports the World Bank is now willing to support an actionable project focusing on fast, low cost and high impact interventions which would respond to the needs of the city identified during KCD."

Briefing the meeting, the additional chief secretary said that under the guidance of the chief minister, Pakistan Chowk to Empress Market and Korangi to Malir areas had been identified.

He said in the areas of Pakistan Chowk and Empress Market sidewalks would be improved to provide pedestrian access, including for the disabled.

The parks in the area would be rehabilitated and benches would be installed along the roads. The streets would be decorated with streetlights, open cables to be covered and heritage buildings would be rehabilitated.

Talking about the Korangi-Malir area rehabilitation, Mohammed Waseem said that roads from Quaidabad to Steel Mills junction, Nawab Siddique Ali Khan road from Lasbella to underpass, road from Singer Chowarngi to Younis Chowarngi to Hospital Chowarngi, Khokhrapar road, from Saudabad to Nadi and allied roads, different roads in Korangi, SITE Avenue to Paracha Chowk to Habib Bank Chowarngi, General Tyre road from textile mill to Globe textile mills Landhi, Bahaduryar Jung road to district Korangi and from Azeempur to Shahrah-i-Altaf, Shah Faisal Zone, would be reconstructed and upgraded.

It may be noted that the estimated cost of the project is $80 million of which the Sindh government is bearing 20 per cent while 80 per cent expenditures are being provided by the World Bank.

The chief minister also reviewed progress on Rs10 billion Karachi Package projects and asked the project director to start the work on the projects without any further delay.

The chief minister was informed that all 18 schemes were in the final stage of takeoff while work on Rs1.6 billion schemes, launched under special grant of the chief minister, to upgrade and reconstruct roads from Clifton to Saddar, including the red zone area, were in progress.

The chief minister directed the project director concerned to complete the entire work, including footpaths beautification, within a month.

http://www.dawn.com/news/1288252/82m-wb-project-to-develop-old-city-areas-finalised

ADB APPROVES $9.7M LOAN FOR KARACHI BUS PROJECT
Dawn, October 9th, 2016

Amin Ahmed

ISLAMABAD: The management of the Asian Development Bank (ADB) has approved a loan of $9.7 million for Pakistan to help finance the designing of the Karachi Bus Rapid Transit Project, it was learnt here.

The government has already approved PC-II for counterpart financing, and at the request and on behalf of the Sindh government, the ADB has conducted the consultants' selection process, including engineering, procurement and construction management; operational design and business model; and project management, coordination and capacity building.

The ADB has communicated the results to the provincial Transport and Mass Transit Department which is ready to sign the contracts upon effectiveness of the project development advance agreement, to be signed between the ADB and the federal government, which will contribute $2.28m to cover taxes and duties.

Once the Sindh Mass Transit Authority is established, staffed, and operational, it will replace the Transport and Mass Transit Department as the implementing agency, upon the prior approval of the ADB.

The project is estimated to cost $220m. The project design advance and the ensuing project loan are listed in the country operations business plan 2016–18 for Pakistan and are proposed to be financed from the ordinary capital resources of the Asian Development Bank, with an indicative financing of $10m for the project design advance and $100m for the project loan.

The project follows priorities set in the country partnership strategy 2015–19 for Pakistan, including improving connectivity and access, especially for the poor, by promoting urban public transport systems; and reducing pollution through mass transit systems.

The proposed Karachi Bus Rapid Transit Project will help develop a sustainable urban transport system in Karachi through the delivery of an integrated bus rapid transit (BRT) corridor. The project outcome will be improved public transport in Karachi, benefiting a population of one million.

The project will consist of two interlinked outputs: full restructuring of the Red Line BRT corridor, and effective project management and sustainable BRT operations through institutional and organisational developments.

The project is economically justified by major time savings for future BRT passengers, vehicle operating cost savings, better air quality, and savings in carbon emissions, which will in turn help improve the health of Karachi's citizens and mitigate climate change. The project will also help make Karachi more liveable and safe, boost private sector investment, and foster gender equity.

The Japanese International Cooperation Agency provided assistance to the Sindh government to jointly develop the detailed and comprehensive Karachi Transportation Improvement Project, comprising a Transport Master Plan and Feasibility Study for the Green and Red BRT lines.

In parallel, the government is currently experimenting a full public-private partnership model to implement the Yellow BRT line. The project will build on these initiatives, following a mixed model combining standard public financing for the main infrastructure, and public-private partnership schemes for bankable components. A stand-alone project loan is proposed as the financing modality since the project focuses on a single BRT corridor.

http://www.dawn.com/news/1289018/adb-approves-97m-loan-for-karachi-bus-project

November 2016

NEWS COVERAGE PERIOD FROM NOVEMBER 28 TH TO DECEMBER 4TH 2016

WB PLANS NEIGHBOURHOOD IMPROVEMENT PROJECT IN KARACHI

Dawn, December 1st, 2016

Amin Ahmed

ISLAMABAD: The World Bank will launch a neighbourhood improvement project in Karachi in 2017 to improve urban living conditions and safety by improving citizen services in selected areas.

The $100 million Karachi Neighbourhood Improvement Project will be the first step in a multi-year World Bank group engagement. The executive board of the bank is scheduled to approve a loan of $80m for the project and the Sindh government will contribute $20m.

According to a World Bank report, a dual-track approach has been proposed in light of the depth and scale of the city's challenges in terms of policy reforms, governance and infrastructure needs, which will require a longer time to design and agree on institutional reform measures.

The project will be implemented in the Pakistan Chowk, Korangi, Malir and Saddar areas, including Empress Market. These areas are heavily populated with mixed residential and commercial use. Several shops are located in the vicinity of roads and mobile vendors also ply their trade.

According to the World Bank, the location and scope of all investments are being finalised and a full assessment of the environmental and social impacts is being carried out.

The bank will conduct a detailed social assessment of the project-impacted areas. Once the interventions have been designed, environmental and social management plans and resettlement action plans will be prepared for each of them.

The bank's engagement includes institutional reforms and investments across multiple sectors. As highlighted in the Karachi City Diagnostic Report and reaffirmed by stakeholders, reforms would need to focus on building a competitive business environment, improving governance performance of provincial public providers of municipal services such as Karachi Water and Sewerage Board and Sindh Solid Waste Management Board and improving the city governance and accountability, urban liveability and access to municipal services, as well as supporting better social inclusion.

According to the report, the city confronts severe environmental challenges. It has a high incidence of air, land and water, including marine, pollution, mostly resulting from inadequate management of solid and hazardous waste, including medical, raw sewage, industrial effluent and vehicular pollution.

Open burning of industrial solid waste and discharge of untreated liquid waste post a serious hazard for the city. In the absence of effluent treatment plants, industrial liquid waste containing oil, heavy metals and toxic chemicals is discharged directly into the rivers and has affected human and marine life considerably.

The detailed diagnostics was conducted over a year to provide a multi-sector assessment of the infrastructure, service delivery and institutional gaps.

The report, based on the framework of improving prosperity, liveability and social inclusion, found that the complex political economy and institutional fragmentation within the agglomeration of Karachi had led to poor liveability indicators for all segments of the population.

Only half of the city's water needs are met by the utility network and the availability ranges from four hours per day to two hours every other day in some areas; less than 60 per cent of the population has access to sewerage, and almost all raw sewage is dumped untreated into the sea.

Nearly 60pc of solid waste is not collected and transferred to a dumpsite, 45 citizens compete for every seat on public buses and an estimated 50pc of people live in informal settlements.

The report showed that to close its urban infrastructure gaps, Karachi required large investments estimated at about $10 billion over the next 10 years, along with substantial institutional development and policy reforms.

http://www.dawn.com/news/1299667/wb-plans-neighbourhood-improvement-project-in-karachi

ADB AGREES TO FINANCE EXTENSION OF PEHUR HIGH LEVEL CANAL
Business Recorder, 3 December 2016

PESHAWAR: Asian Development Bank (ADB) agreed to finance the extension of Pehur High Level Canal to boost up the agricultural activities of Khyber Pakhtunkhwa and to make the barren land of district Swabi and surrounding areas cultivable.

This was agreed in a meeting of a two-member delegation of ADB, who called on Khyber Pakhtunkhwa Senior Minister for Irrigation and Social Welfare, Sikdanar Hayat Khan Sherpao at Civil Secretariat Peshawar.

The delegation was led by HE Takaku R, Water Resources Management Specialist, while Tariq Rashid, Secretary Irrigation KP, Asad Zafar Senior Project Officer ADB and other technical specialists were also present in the meeting.

The minister told the delegation that more than 70 percent population of Khyber Pakhtunkhwa depended upon agriculture and being the backbone of national economy and human development, irrigation system need to be extended and upgraded as per the challenges of the modern era.

He also explained the different irrigation and power generation projects planned to be commissioned in KP with specific reference to the Terch Irrigation Canal, Chitral and Small Dams project.

He requested the delegation to introduce modern technology and techniques in developing the irrigation system of KP and also suggested to establish a technical academy where the engineers and other technical staff of Irrigation department be imparted modern training.

After detailed discussion on the overall existing and future planned irrigation system in KP, the delegation expressed their keen interest to work in this province for the upgradation and extension of irrigation canal system of Khyber Pakhtunkhwa and assured the minister that all these proposals must be included in the next meeting of ADB for serious consideration to be held in March 2017.

The delegation also expressed their interest in the availability of huge water resources in the province and disclosed that ADB have keen interest to invest in KP Irrigation sector.

The minister thanked the delegation for their efforts and interest for support of the Khyber Pakhtunkhwa government and its people.

http://epaper.brecorder.com/2016/12/02/15-page/824649-news.html

NEWS COVERAGE PERIOD FROM NOVEMBER 21ST TO NOVEMBER 27TH 2016
ADB TO HELP KP ESTIMATE URBAN POPULATION, SETTLEMENT PATTERNS
Dawn, November 23rd, 2016

ISLAMABAD: The government of Khyber Pakhtunkhwa plans to carry out an analysis of the population and demographics of two provincial agglomerations — Greater Peshawar and Greater Abbottabad — to propose new estimates for the urban population and identify settlement patterns.

This will be done with technical assistance from the Asian Development Bank (ADB).

According to current estimates, the population of KP has increased by nearly 70 per cent since the last official census held in 1998. One of the government's primary concerns about undertaking development work in the province is the lack of population data.

The Japan Fund for Poverty Reduction will provide a grant of $2 million while the ADB's technical assistance special fund will provide $0.4m for technical assistance during the project that will help develop a sector road map for inclusive and sustainable urban growth.

They plan to start with an analysis of the population and demographics which will enable delineation of urban areas of the two cities which accounts for 50pc of the provincial population.

The sector road map will also aim to build a case for increasing investments and improving services in urban areas.

To do this, the road map will analyse public expenditure and infrastructure deficit, formulate a strategy for emerging economic opportunities based on the comparative advantage of urban centres, prioritise key institutional and organisational challenges, recommend a skills and competency strategy, present a plan for climate change, adaptation for the key urban centres in KP and identify a list of success factors for better performance of the urban sector operation.

http://www.dawn.com/news/1298078/adb-to-help-kp-estimate-urban-population-settlement-patterns

$200 M LOAN FOR DISASTER RISK MANAGEMENT
Dawn, November 25th, 2016

ISLAMABAD: The Asian bank on Thursday approved a $200 million loan to strengthen Pakistan's disaster risk management and support the National Disaster Risk Management Fund (NDRMF).

The NDRMF will reduce the socio-economic and fiscal vulnerability of the country and its population to natural hazards by prioritising and financing investments in disaster risk reduction and preparedness that have high economic benefits, taking into account climate change, as well as disaster risks and their impacts.

As part of the support, a $1m technical assistance grant has been approved for Capacity Building of Disaster Risk Management Institutions. The ADB will also administer a $3.3m grant provided by the Australian government.

"Pakistan is increasingly exposed and vulnerable to various natural hazards and climate change which pose a significant risk to the fiscal stability of the federal and provincial governments," said Werner Liepach, ADB Country Director for Pakistan.

"The establishment and operationalisation of NDRMF will help reduce vulnerabilities to natural hazards and improve the fiscal management of disaster risks," he said.

The government will pass on the ADB loan funds to the NDRMF as a grant, for on-granting by NDRMF to eligible implementing partners. The NDRMF will finance up to 70 per cent of the cost of eligible subprojects that will enhance Pakistan's resilience to extreme weather events and other natural hazards.

The NDRMF will also enter into insurance arrangements to develop markets for the transfer of residual risks that cannot be mitigated.

According to the 'Global Climate Risk Index', Pakistan is one of the most affected countries by extreme weather events from 1995 to 2014. Increasing natural hazards have resulted in significant loss of life, economic damage, and the reversal of development gains.

These events severely impact the livelihoods of the poor and vulnerable, resulting in mass migration, trade and commerce disruption, and market destabilisation. The annual economic impact of flooding alone is estimated at $1.2 billion-$1.8 billion, equivalent to 0.5pc to 0.8pc of GDP.

The government's disaster risk management policy and strategy have transitioned from a largely response-oriented approach to a broader focus on disaster risk reduction and preparedness. However, progress is limited by financing and capacity constraints.

The assistance will provide financial, technical, and capacity development support to NDRMF and is expected to contribute to the country's increased and sustainable institutional and physical capacity to reduce the socioeconomic and fiscal impacts of natural hazards and climate change.

http://www.dawn.com/news/1298431/200m-loan-for-disaster-risk-management

NEWS COVERAGE PERIOD FROM NOVEMBER 7TH TO NOVEMBER 13TH 2016
WB APPROVES OLD CITY AREAS REHABILITATION PROJECT
Dawn, November 8th, 2016

KARACHI: The World Bank has approved Karachi Old Area Rehabilitation Project of $80 million to restore the old city areas right from Pakistan Chowk to Empress Market.

This was disclosed in a meeting held between Sindh Chief Minister Syed Murad Ali Shah and a nine-member World Bank delegation led by its senior director for social, urban and rural development Ede Ijjasz-Vasquez.

The World Bank senior director said the bank had approved in principle to work with the Sindh government to launch the Karachi Old Area Rehabilitation project. "This is the good news I have come here to give you," he said.

The chief minister appreciated that the World Bank endorsed the project, as "this is not only a good news for me but also for the people of my city of Karachi."

Mr Shah said that Empress Market was the heart of Karachi. With its restoration and rehabilitation, the entire city would look beautiful. The area right from Pakistan Chowk to Empress Market has historical buildings, parks and streets. The restoration of the area, including drainage, roads, streets, buildings, utilities, parks and other concerned areas would be uplifted and reconstructed.

Additional chief secretary (Development) Mohammad Waseem said the Sindh government allocated $20 million of its share for the project. The spots to be renovated and reconstructed had already been identified, he said. "We are going to launch the project from December 2016," he vowed.

The World Bank senior director congratulated the chief minister for getting the project for which he visited the residence of World Bank country director in Islamabad. "These were your efforts and vision that it is being materialized," he said.

Meanwhile, the delegation met the deputy mayor of Karachi Dr Arshad Vohra at his office and assured him of all possible cooperation for the betterment of municipal facilities in the metropolis. The deputy mayor informed the visitors that provision of basic municipal facilities in each and every part of the city was a big challenge for the civic agencies.

For this purpose, he added, technical assistance and cooperation had been sought from various regional and international organisations, which yielded good results. With this cooperation, he said, various short- and long-term projects relating to infrastructure development and for provision of basic necessities in the city were completed.

He expressed the hope that the World Bank offer for cooperation would help in building Karachi as a modern and developed city.

http://www.dawn.com/news/1294936/wb-approves-old-city-areas-rehabilitation-project

NEW TARIFF POLICY STRUCTURE: WORLD BANK AGREES TO PROVIDE TECHNICAL AID TO PAKISTAN

Business Recorder, November 09, 2016

On a proposal put forth by Minister for Commerce, Engr Khurram Dastgir Khan, the World Bank has agreed to provide technical assistance to Pakistan for the development of a new tariff policy structure which would be aimed at increasing overall exports coupled with revenue generation.

Commerce Minister made this proposal while chairing a meeting with a high-level World Bank delegation led by its Country Director, Patchamuthu Illangovan and Senior Director, Trade & Competitiveness, Anabel Gonzalez. It was decided during the meeting that the new tariff policy proposal will be developed by the Ministry of Commerce and all technical assistance will be provided by the World Bank.

The Minister for Commerce nominated Dr Nazim Latif, Director General Trade Policy as team leader from the ministry to initiate the deliberations. Minister was of the view that in order to make Pakistani export products more competitive in the world trade marker, there was a need to increase export competitiveness not only at the ministry level but at the government level, as a whole.

He told the delegation that Pakistan's macroeconomic situation has improved considerably, terrorism incidents have gone down immensely and energy crisis has been arrested on the sustainable basis.

The minister was of the view that Pakistan has made substantial progress in ease of doing business in the country and will continue improving by introducing required legislation and administrative measures. Anabel Gonzalez agreed to the point of view and said that the World Bank would be happy to see Pakistan is going in the right and upward direction and would provide all required technical assistance in this regard.

Illango was of the view that to support Pakistan for developing a tariff policy structure afresh, the World Bank can also engage international trade experts who have success stories at their credit from the contemporary economies.

http://www.brecorder.com/top-stories/0/100993/

ADB WORRIED OVER 'PROBLEM PROJECTS'

Dawn November 10th, 2016

Khaleeq Kiani

ISLAMABAD: The Asian Development Bank (ADB) is worried over the high number of "problem projects" in Pakistan even though the situation has improved in the last year.

Ineffectively utilising loans for project financing leads to sub-optimum project outcomes and lower than envisaged benefits to the people and higher debt-servicing cost to the nation because of cost overruns and project delays, the Manila-based lender said in a communication with the government.

It said that 20 (or 77 per cent) of its 26 active loan projects were "on track" as of Dec 31, 2015 while 19pc loan projects were rated as "potential problem" and 4pc as "actual problem".

This performance was relatively better in 2014. For example, 14 out of 20 projects (70pc) were rated as on track, 25pc as potential problem and 5pc as actual problem.

The ADB highlighted that the improvement in the percentage was mainly because of induction of additional projects in the portfolio, otherwise the number of potential problem and actual problem remained unchanged at five and one, respectively, in these two years.

On top of that, the performance rating of 14 ongoing projects in 2015 changed during different quarters due to “various implementation challenges” and six projects turned from on track to potential problem while eight potential problem projects moved to on track category due to efforts of the ADB and the government.

The projects declared actual or potential problem during the course of implementation included National Trade Corridor Highway Investment project, Water Resources Development in Federally Administered Tribal Areas, Jamshoro Power Generation Project, National Highway Development in Balochistan and Power Transmission Enhancement Investment Programme.

The project performances are rated on the basis of five indicators including procurement, disbursement, financial management, social safeguards and technical problems as agreed with the executing and implementation agencies upon loan approval.

The ADB said that according to its electronic operation (e-ops) project profiles, the contract award target at the start of the year 2015 was projected at $886 million which was later revised down to $485m after review missions were carried out and discussions were held with the authorities. Simultaneously, during the portfolio review in the first quarter of 2015 and the 2015 Country Partnership Review, discussions were held with authorities on the likely achievement of the targets and the authorities agreed to award $695.6m in contracts.

The actual contract award amount achieved in 2015 was $1.068 billion — $674.25m from investment projects and $394m from policy reform programme. “However, there was substantial underachievement in energy sector projects, specifically in the Power Transmission Enhancement Investment Programme. Similarly, the disbursement target at the start of the year was projected at $602m in the e-ops, which was later revised to $370m.

In the last decade Pakistan portfolio underwent significant changes, the ADB said. From 2000 to 2005, the number of loans increased sharply from 43 to about 80. The ADB and government initiated “spring cleaning” exercise in 2007, restructured the portfolio to bigger loans in future operations, leading to consolidation of portfolio into fewer and larger projects. As a result, project loans reduced from 59 in 2006 to 24 in 2011.There were a total of 31 active projects on Dec 31, 2015.

Notwithstanding, the volume of project-based lending remained stable at an average $3.5bn during 2008 to 2012. It significantly increased to $4.5bn in 2013 and further increase to $6bn in 2015. Similarly, programme lending reduced from about $3bn (20 loans) in 2006 to zero by the end of 2011 as the standby agreement negotiated with the International Monetary Fund in 2008, governing policy-based lending, lapsed in September 2011.

In 2014, the active portfolio increased to $5bn including resumption and subsequent approval of programme lending of $400m. In 2015, the total active portfolio further increased to $6.4bn with approval of programme lending of $399m.

http://www.dawn.com/news/1295306

WB LIKELY TO FINANCE $375 M TRANS-KHYBER PASS PROJECT
Dawn November 13th, 2016

ISLAMABAD: The World Bank is actively considering financing of the ‘Trans-Khyber Pass’ project which will serve as gateway for Pakistan’s trade to Central Asia’ and give further impetus to growing Pak-Afghan trade.

The Peshawar-Torkham expressway as a gateway to Central Asia will leverage the Afghan-Pakistan Transit Trade Agreement (APTTA) signed in 2010, and will facilitate access to potential new regional markets.

In this regard, Pakistan has formally submitted the project to the World Bank for possible financing while the bank is seriously considering the project. It is expected that the World Bank's soft window, the International Development Association (IDA) will provide $375 million for the project, according to informed sources.

Under the project, a comprehensive master plan covering spatial dimensions for regional development leveraging the corridor development will be prepared. The plan will take a more holistic view and focus on promoting inclusive growth by expanding economic opportunities in backward regions and linking cities and towns with urban centres and industrial clusters.

Further, it will consider future growth by improving access to markets, stimulating trade and investment and boosting productivity and efficiency through associated network externalities and agglomeration effects.

The spatial approach will be followed to identify shared infrastructure needed and services geared towards specific industries, as well as economic projects such as secondary roads, micro-dams, wholesale markets and storages which are critical for the development of the value-chains and the corridor.

One of the key features of APTTA, which became operational in 2011, is that it provides reciprocal transit trade privileges to Pakistan to enter Central Asian markets and Iran, unlike the Afghanistan Transit Trade Agreement (ATTA) which was signed in 1965.

This provides much potential growth, with Pakistan's exports to Central Asian Republics at only $28 million in 2015, although on an upward trend since 2000. According to the World Bank, the construction of Peshawar-Kabul motorway will contribute to improve this volume because of higher efficiency and savings of time and costs.

Sources said that the Peshawar-Torkham expressway will yield even further benefits if expansion of APTTA to include Tajikistan, Kyrgyz Republic, and Turkmenistan materializes. Recently, Tajikistan has requested to be part of a 'Trilateral Transit Trade Agreement' and several expert level group meetings among Afghanistan, Pakistan and Tajikistan have been held during the past one year.

A draft trilateral transit trade agreement has been prepared and Pakistan has provided its consent to it. The Kyrgyz Republic and Turkmenistan have also indicated their interest to be part of the transit trade agreements with Pakistan and Afghanistan, sources said. While Pakistan's overall trade has declined in the past few years, Afghanistan has emerged as one of the major trading partners after the United States, European Union and United Arab Emirates.

Despite political and recent border tensions, the transit and bilateral trade has remained intact and has been growing at a faster pace, which shows the political commitment to enhance economic cooperation.

During 2005-14, according to official figures, exports from Pakistan and imports from Afghanistan grew at a CAGR of 4.9 per cent and 22.1pc respectively. Informal trade is estimated to be very large, given the two countries share a 2400km long porous border. Average trade levels more than doubled from $1.0 billion on average during 2005-07 to $1.9bn on average during 2013-15, although the last three years have noted a decline in exports.

The two countries have resolved to work together for enhancing bilateral trade to $5bn by December 2017 through effective trade facilitation measures and by promoting business to business interactions.

Afghanistan has emerged as a major export market accounting for 7.9pc of exports in 2015, behind only the EU (28pc), US (16.6pc) and China (8.8pc). From the Afghanistan's perspective, Pakistan is its second largest source of imports (17pc in 2014), after Iran (19pc). On the export side, Pakistan is the largest export destination with 33pc of exports in 2014, followed by India at 28pc.

The anchor of the Peshawar-Torkham Economic Trade Corridor is a new expressway which will provide a reliable and safe driving environment with higher travelling speed. The existing Peshawar-Torkham road is part of the

National Highway N-5 that goes through the famous Khyber Pass which has great historical significance and has been an important trade route between Central and South Asia.

http://www.dawn.com/news/1295996/wb-likely-to-finance-375m-trans-khyber-pass-project

NEWS COVERAGE PERIOD FROM OCTOBER 31ST TO NOVEMBER 6TH 2016
$75M LOAN FOR COUNTRY'S LARGEST WIND FARM
Dawn November 1st, 2016

Amin Ahmed

ISLAMABAD: The Asian Development Bank announced on Monday its approval of a $75 million loan to support the development of the largest wind farm in Pakistan.

The deal with Triconboston Consulting Corporation (TBCC) is ADB's third wind energy investment in Pakistan's burgeoning independent power producer segment.

Power from the largest project will be sold under a twenty-year take-or-pay energy purchase agreement under a feed-in-tariff to Pakistan's Central Power Purchasing Agency.

The three 50MW wind farms, situated located in Jhimpir, some 100km northeast of Karachi, will generate a total of 520 gigawatt-hours annually and are expected to be completed by March 2018. The project sponsors include Sapphire Textile Mills, a leading local energy developer, and Bank Alfalah, Pakistan's sixth largest bank by market share.

"This wind farm is a major contributor to Pakistan's drive to scale up renewable energy use and to reduce its reliance on coal and petroleum for power generation," said Mohammed Azim Hashimi, Investment Specialist in ADB's Private Sector Operations Department.

"The operation of this farm will avoid the production of over 350,000 tons of carbon dioxide equivalent emissions a year and help to close the country's power shortfall," he said.

The Sindh government has leased three contiguous parcels of land totaling 3,852 acres to TBCC for the development of the project, which will not require any physical or economic displacement since the lease area is uninhabited and agriculturally unproductive.

Sapphire firmly believes that renewables have changed the energy paradigm and remains committed to the development of renewable energy resources in Pakistan. The 150 MW Triconboston wind power project is a step in this direction" said Nadeem Abdullah, Chief Executive Officer of Sapphire Textile Mills.

Pakistan has launched several initiatives to promote private sector participation in the country's energy sector, with a concerted push to build up its renewable energy resources and to cut its heavy dependence on fossil fuels. Power shortages are a major obstacle in Pakistan's economic development, with demand for electricity outpacing supply.

By providing much needed power to a country facing a severe power shortage, which is adversely affecting economic growth, the project has direct and indirect benefits by incrementally increasing access to energy for households, businesses, and industry. It will alleviate poverty through skilled and unskilled job creation and other associated economic activities, ADB says.

The project will also help realise government's target of 6 per cent renewable energy in the country's energy mix by 2030, as stated in the Medium Term Development Framework. By using wind energy, the project will diversify the country's fuel mix away from its current heavy dependence on (imported and price volatile) fossil fuels.

It will also help the country to attain a diverse fuel mix using indigenous and renewable sources of power, which is needed to develop a balanced and robust power supply system with hedged power generation prices in the medium and long term.

ADB's assistance is helping the government to address the persistent energy crisis through Vision 2025, Pakistan's comprehensive plan for economic growth. The plan aims to increase power generation, provide uninterrupted electricity to all, and improve demand management.

http://www.dawn.com/news/1293497/75m-loan-for-countrys-largest-wind-farm

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December 2016

NEWS COVERAGE PERIOD FROM DECEMBER 26 TH TO JANUARY 1ST 2016

NO FOREIGN DIRECT INVESTMENT IN KP SINCE PTI TOOK OVER

Dawn, December 29th, 2016

PESHAWAR: The flow of foreign direct investment into Khyber Pakhtunkhwa remained zero during the last three and a half years tenure of the PTI-led government as the province relied on loans, foreign assistance and federal receipts.

Adviser to the chief minister on information Mushtaq Ahmad Ghani told a news conference here on Wednesday that FDI didn't come to the province during the last three and a half years due to the delicate security situation and bad governance.

"The security situation and bad governance during the previous government discouraged foreign investors," he said when asked about the inflow of FDI in the provincial economy during the PTI's tenure.

The adviser however said the situation had improved.

"We expect investment from abroad in different sectors," he said.

Mr. Ghani said Chief Minister Pervez Khattak, who was in China, would invite Chinese investors to put money in different sectors of the province.

He said the CM was likely to sign three agreements in China and that would be the first FDI in the province.

Before forming government in the province, the PTI had claimed that foreigners were ready to invest billions of dollars in the province.

The adviser said the provincial government is negotiating with Chinese investors to build circular railway line to link Peshawar with Nowshera, Mardan, Swabi and Charsadda, execute 1200MW hydel generation projects, and build roads.

He said the government's initiatives, especially steps for the eradication of corruption, had boosted the confidence of local and foreign investors, who were willing to put money in different sectors of the province.

Highlighting the achievements of the PTI-led ruling coalition, Mr. Ghani said the provincial government had performed well in all sectors of economy.

He said the total outlay of the annual development programme for financial year 2016-17 was Rs505 billion.

The adviser said Rs276.114 billion had been released to different sectors during the last six months and Rs167.804 billion of them had been spent on various projects.

"The ADP spending ratio remained 61 per cent during the last six months," he said.

Mr. Ghani claimed that the government had invested in human resource development instead of spending budget on other sectors.

He said the assembly had passed a total of 135 bills during the last three years.

The adviser said the construction of 41 colleges was in progress, while 17 new colleges for boys and girls were included in the 2015-16 ADP.

He said public libraries and universities were being established across the province.

Mr. Ghani said Rs33 billion had been allocated for district governments in the current budget.

He said the establishment of Knowledge City was in the pipeline with Rs10 million already allocated for the project's feasibility study.

The adviser said work on the rapid bus service project for Peshawar would be completed by Dec 2017 at a cost of Rs20 billion.

He said the government had yet to begin work on the project. Mr. Ghani said the Rs34 billion Swat Expressway would be in place by the end of 2017.

He said the government had planned the construction of a road from Margalla Hills to Changla Gali at a cost of Rs670 million, while flyovers would be constructed in Abbottabad, Haripur, Mansehra and Kohat.

The advisor said a large number of doctors, nurses and paramedics were appointed to the government's health facilities in the province to improve health delivery system besides increasing the salary of medics and members of the allied staff.

He also said Rs20 billion were being spent on the provision of free emergency services to patients in government hospitals of the province.

http://www.dawn.com/news/1305134

NEWS COVERAGE PERIOD FROM DECEMBER 12 TH TO DECEMBER 18TH 2016
ADB COULD GIVE $5.9BN LOANS FOR OPERATION BUSINESS PLAN
Business Recorder, 14 December 2016

Tahir Amin

ISLAMABAD: The Asian Development Bank (ADB) has indicated giving $5.965 billion loans to Pakistan under the country operations business plan (2017-2019) during three years.

According to the ADB updated plan, the proposed sovereign lending programme for 2017-2019 amounts to $5,965 million, consisting of $4.765 billion from regular ordinary capital resources (OCR) lending and $1.2 billion from concessional OCR lending. This includes about 29 percent over-programming to respond to operational adjustments.

In addition to stand-alone projects, the sovereign lending programme comprises two policy-based programme and seven multi-tranche financing facilities (MFFs).

According to ADB, Pakistan, a group B developing member country, is eligible for regular OCR lending and concessional OCR lending (COL). The indicative resources available during 2017-2019 for ADB's sovereign operations amount to $4,623.6 million in loans, comprising $3,240 million in regular OCR lending operations and $1,383.6 million from COL. The final allocation will depend on available resources and the outcome of the country performance assessments.

These resources will be supplemented with ADB's non-sovereign operations, subject to headroom constraints, as well as official and commercial co-financing. Co-financing and funding from other sources, including the regional pool set aside under regular OCR and COL for regional cooperation and integration will be explored.

The indicative non-lending technical assistance programme for 2017 amounts to $12.2 million, including $7.0 million from other sources. The ADB will endeavour to seek additional sources of financing, including co-financing, regional set-aside, and non-sovereign funding (if applicable) to process projects beyond the stipulated resource envelope.

The cost-sharing and financing parameters during 2017-2019 envisage a ceiling of 85 percent for the loan portfolio and 90 percent for the technical assistance portfolio, similar to current limits. Actual shares for specific ADB projects will be determined by project-specific considerations and available co-financing.

The ADB's resource allocation has increased for energy sector from previous $1.65 billion to $1.90 billion. A new $1.0 billion MFF, the Hydropower Development Investment Programme, which focuses on clean energy and hydropower generation, was added.

The ADB's resource allocation has increased for transport from previous $757 million to $1.61 billion. Two stand-alone projects were added for 2017 and 2018 to support rehabilitation of selected national and provincial highways.

These investments will complement programmed ADB assistance for improved efficiency of selected Central Asia Regional Economic Cooperation road and rail corridors in Pakistan. Two bus rapid transit projects will focus on improved public transport in the cities of Peshawar and Karachi. Potential assistance for Lahore will also be explored further.

The ADB's resource allocation has increased from previous $305 million to $455 million for agriculture, natural resources and rural development. Improving agriculture productivity through water resource infrastructure development and management, irrigation system rehabilitation, and command areas development remain a key area of the proposed lending programme.

In this regard, the country operations business plan, 2017-2019 includes three projects in the provinces of Balochistan, Punjab, and Khyber Pakhtunkhwa, with additional co-financing from other development partners. Under knowledge products, the ADB will assist in preparing a climate risk vulnerability assessment for Federally Administrated Tribal Areas water resources.

The ADB's resource allocation for water and other urban infrastructure and services has increased from previous $310 million to $600 million. The ADB is processing an MFF to provide assistance for improved quality of urban services for residents of selected cities in Punjab province in 2017. Subsequently, urban development projects are envisaged in Khyber Pakhtunkhwa and Sindh provinces to improve service delivery either through stand-alone projects or on MFF basis.

The ADB's resource allocation has decreased from previous $600 million to $500 million for public sector management. The ADB will support government reforms of public sector enterprises (especially in core infrastructure sectors), the establishment of mechanisms for project development, and viability gap funding.

A Public Sector Enterprises Reform Programme ($300 million, Sub-programme 2, 2017) will continue to help implementation of reform and restructuring of selected public sector enterprises. The Enhancing Public-Private Partnerships for Punjab, with co-financing from the Department for International Development of the United Kingdom, will focus on capacity and institutional development for public-private partnerships.

The ADB's resource allocation has increased from previous $290 million to $900 million for finance. To support long-term financing for infrastructure projects in Pakistan, an investment project is planned for the Pakistan Infrastructure Development Fund in 2017, followed by an MFF in 2019. Moreover, a $200 million Pakistan National Disaster Risk Management Fund was approved in November 2016 to help capitalise the fund and start its operations.

A subsequent investment through an MFF will support fund activities in 2018 and beyond. The fund focuses on enhancing Pakistan's resilience to climatic and other natural hazards as well as strengthening the government's ability to respond to natural disasters more effectively.

According to the Bank, the country operations business plan, 2017-2019 for Pakistan is aligned with the ADB's country partnership strategy, 2015-2019 for Pakistan. The country partnership strategy proposes to support the government's objective of high, sustained, and inclusive growth, focusing on infrastructure development and institutional reforms.

The country operations business plan, 2017-2019 is also consistent with the priorities set out in ADB's Midterm Review of Strategy 2020. It is aligned with the government's development strategy, Vision 2025, and the development strategies and plans of provincial governments, the Bank maintained.3

http://epaper.brecorder.com/2016/12/14/3-page/827588-news.html

GOVT SEEKS $200M ADB LOAN TO DUALISE LAHORE-PESHAWAR RAILWAY TRACK
Dawn December 18th, 2016

Amin Ahmed

ISLAMABAD: The government is seeking a $200 million loan from the Asian Development Bank (ADB) for a project to rehabilitate and dualise the 460-kilometre Lahore-Peshawar track, it was learnt on Saturday.

The project will involve installation of modern signalling and communication system between Peshawar and Rawalpindi.

The loan under the Central Asia Regional Economic Cooperation (CAREC) Railway Connectivity Investment Programme will help make the country's railway transport system more efficient and competitive, the ADB said.

While ADB has ensured provision of $200m in its Country Operation Business Plan (COBP) for 2017-19, the government has yet not allocated funds for the project.

The loan under multi-tranche financing facility (MMF) will also finance the realignment of its 53-km section in hilly tract from Kaluwal and Pindora. At two locations in the hilly region, two tunnels have been proposed for realignment of approaching double tracks.

The project will also involve modernisation of IT-based accounting system of Pakistan Railways. The entire accounting data and information will be transformed and migrated into the new accounting system.

Railways offers unique advantages for transporting freight and passengers over long distances, however in the past three decades increasing competition from road transport has reduced railways market share.

As of 2016, railway accounts for 4 per cent of freight traffic and 6pc of passenger traffic with major shares taken by road.

As a result, the financial performance of Pakistan Railways has not generated enough resources for investing in asset replacement and capacity expansion, an ADB report points out.

Over the recent years, the operational performance of Pakistan Railways has markedly improved and helped avoid a total failure of the sector mainly owing to improved availability of functioning locomotives and railways' well-thought-out marketing strategies.

Despite recent improvements, the railways sector is still needed to upgrade its infrastructure on a large-scale to provide more competitive transport services, regain the market share lost to roads, and ultimately rebalance the unbearably unbalanced modal share between rail and road.

The Asian Development Bank has already started preparing a 2040 strategic plan for Pakistan Railways, and in this regard a technical committee has already been formed which held its session in Lahore on Friday. A three-member ADB technical team attended the committee meeting.

https://www.dawn.com/news/1302975/govt-seeks-200m-adb-loan-to-dualise-lahore-peshawar-railway-track

NEWS COVERAGE PERIOD FROM DECEMBER 5 TH TO DECEMBER 11TH 2016
KP GOVT TO GET RS70BN WORLD BANK LOAN TO WHIP UP DEVELOPMENT
Dawn, December 5th, 2016

Mohammad Ashfaq

PESHAWAR: The PTI-led provincial government has come out with all guns blazing to finish its tenure on a high note as it has decided in principle to obtain Rs70 billion International Development Association's loan from the World Bank, according to sources.

"The loan would be spent on those projects, which the provincial government considers capable of generating enough revenue to pay back the principal amount with interest," sources said. The loan would be acquired from International Development Association (IDA), which is part of World Bank that helps the world's poorest countries.

Sources said that expenditure of Rs70 billion on revenue generating projects was expected to have visible socio-economic impact and bring positive long term benefits with regard to own-source revenue generation. "Currently the provincial government's own- source revenue generation is only six per cent of its annual expenditure," they added.

Sources said that in view of the initial consultation with the IDA, the loan was expected to have a comfortably long grace period. Regarding interest on the loan, sources said that it would be very low while the loan would be flexible and its release would be speedy.

"IDA is the cheapest loan available and is in fact sometimes considered closer to a grant rather than a loan," they added.

Sources said that the loan would be mostly invested in four sectors including agriculture, tourism, urban development and hydropower. "These sectors have been identified in consultation with the World Bank and equate to the competitive advantages, which the province possesses," they added.

Sources said that all relevant departments of the provincial government were consulted about selection of the shortlisted projects, which were designed to change the socio-economic profile of the province in a period of two years.

“The provincial government has shortlisted 65 projects from amongst the long lists submitted by the departments based on the agreed criteria,” sources said.

They said that soon after the decision to accept the loan, detailed discussion would take place between the representatives of the provincial government and World Bank.

They added that during subsequent discussion all aspects of the shortlisted projects would be discussed one by one for final approval.

When reminded of the inability of health and education projects to generate revenue, possibly resulting in their exclusion from the list, sources said that due to the positive impact of investment in health and education, the government might make an exception for those sectors.

When asked as to how the government would manage to payback its liabilities as some of the projects in the final list may not generate revenue, sources said that a fine balance would have to be maintained among such projects.

They added that some schemes would definitely generate higher revenues that could be used to pay back for other essential projects, which didn’t have the ability to pay back.

“Once the agreement is finalised, the provincial government would face different implementation challenges, the top most among those being the laborious and sometimes cumbersome processes of the World Bank and the slow response time of the provincial government departments,” said sources.

They said that government would need to make tough decisions and put in place an implementation mechanism on war footing to provide tangible benefits to people within its tenure.

The prominent schemes include Jabori hydropower project, Mansehra, Karora hydropower project Shangla, Koto hydropower project Dir Lower, missing link of the Ring Road Peshawar, installation of Saiful Maluk chairlift and establishment of IT Park in Peshawar.

http://www.dawn.com/news/1300529/kp-govt-to-get-rs70bn-world-bank-loan-to-whip-up-development

POST-IMF OR PRE-IMF?
Dawn, December 9th, 2016

Sakib Sherani

HOW is the economy shaping up in the wake of a recently concluded three-year IMF stabilisation programme that has been dubbed an outstanding success by the government? To answer this question, we need to critically examine a number of areas that the government and the IMF sought to address via the over $6 billion lending arrangement of September 2013.

A sub-set of questions will help clarify the underlying situation with regards to the economy. Is the economy now in a position to deliver robust growth? Is private investment picking up? Have the underlying structural issues in public finances been fixed? Are Pakistan’s power-sector challenges behind us? And, of most immediate concern, has the threat of another external payments crisis been averted?

Judging by the immediate aftermath of even partially successful past Fund programmes, this should be a sweet spot for the economy. Under previous IMF-financed and debt-funded episodes of macroeconomic stabilisation, economic activity has, more often than not, rebounded sharply as the uncertainty — and the foreign exchange constraint — have eased and the economy stabilised. Private investment and investor sentiment have usually recovered quite strongly too.

This time around, however, the economy has experienced its weakest and most modest recovery post-IMF programme. Real GDP growth has moved up from 3.7 per cent in 2013 — the start of the IMF programme — to an official 4.7pc at its end in 2016. The government-released growth figure for 2015-16 is highly disputed. Even so, three years after the start of the government's stabilisation efforts, the change in GDP growth (the 'growth momentum') is a mere 1pc. This translates into a negative change if independent estimates of GDP growth of 3-3.5pc are used.

This anaemic boost to growth has occurred despite the government building up international reserves by contracting external borrowing of $35bon over this period, and by a significant uplift to economic growth provided by the substantial improvement in Pakistan's external terms of trade.

By contrast, in a similar three-year period between 2009 and 2012, under the previous IMF programme, real GDP growth moved up from 0.4pc to 3.8pc, a swing of 3.4pc. This turnaround happened despite the fact that international oil prices were averaging around $100 a barrel during that period — twice current levels.

The overall weakness of the economy is reflected in a range of 'soft' numbers. Large-scale manufacturing output rose 2.2pc during July-September. Adjusting for a blip in production of iron and steel, and continued strength in cement output, production growth for all other sectors was only 1pc during this period.

Utilisation of bank credit by the private sector is also subdued, despite banks being flush with liquidity, suggesting weak credit demand. Foreign direct investment inflows are down 50pc over the previous year, despite on-going investment in some CPEC projects.

Perhaps most surprisingly, there has been a steep fall in business sentiment. The latest Business Confidence Index released by the Overseas Investors Chamber of Commerce and Industry, conducted in September/October 2016, has slumped by 19 percentage points, to plus 17pc from plus 36pc previously. This indicates a sharp reversal in business confidence.

On the public finances front, despite some modest effort at reform by the government, total tax revenue collection by the Federal Board of Revenue and provinces for the first quarter of 2016-17 has been sluggish, rising by only 2pc against same period last year. The overall budget deficit for the first quarter is also 0.2pc of GDP larger than the previous year, at 1.3pc versus 1.1pc of GDP.

As a result, government borrowing from the banking system for budgetary support is showing a large increase, of over 77pc as of Nov 25. More importantly, the composition of borrowing has reversed completely, with the government borrowing over Rs1 trillion from the central bank between July 1 and Nov 25, 2016, versus a retirement of nearly Rs323bn in the same period the previous year.

This is a clear indication of a weakening of fiscal discipline since the completion of the IMF programme at the end of September, and is a result of a combination of sluggish tax revenue collection and higher expenditure by government.

In the power sector, the subdued accumulation of circular debt has been attributed by the IMF entirely to the decline in oil prices, rather than to any significant improvement in the governance of the sector. According to the latest IMF country report, the fall in oil prices caused a decline in circular debt of Rs119bn. Had oil prices been at the same level as previously, circular debt would have continued rising, though at a slower pace.

Finally, Pakistan's perennial weakness — its external account — continues to remain vulnerable. Despite a modest 2pc year-on-year increase in export earnings in October, after many consecutive months of decline, merchandise exports have fallen to an abysmal 7.3pc of GDP — the lowest since the 1980s and the lowest for any developing country in Pakistan's peer group.

With an uncertain outlook for remittances, strong import growth due to the requirements of CPEC projects, and repayments of large forex liabilities on the horizon, the external account remains vulnerable — even without an increase in international oil prices.

The fact that the economy remains in such an anaemic state at the end of a three-year IMF programme, and despite a massive boost from the fall in international oil prices since 2014, indicates persisting underlying structural weaknesses. Hence, by all accounts, Pakistan is currently in its favoured habitat — sans serious reform, enjoying the sun in a brief interlude between two Fund programmes.

http://www.dawn.com/news/1301310
WB LOAN CANCELLATION: SSGC'S VERSION
Dawn December 10th, 2016

Sui Southern Gas Company (SSGC) issued a statement on Friday about a news story that appeared in Dawn on December 8 under the headline of "World Bank cancels $100 million loan".

SSGC said the World Bank loan amounted to only $40 million for the Natural Gas Efficiency Project (NGEP), which was cancelled in May 2016. The rest of the amount was already cancelled in April 2015. The World Bank loan of $40 million represented only a minor portion of the overall NGEP programme and was aimed at procuring materials and equipment through foreign procurement only.

SSGC's board of directors and management showed a keen interest in approving the NGEP plan through a World Bank loan, the statement said. One of the reasons for the cancellation of the loan was the World Bank's stringent procurement requirements, it added. The original plan kept on changing after every visit of the World Bank mission to SSGC. Consequently, the procurement and disbursement plans were affected, it stated.

Despite all efforts by SSGC to procure under the World Bank procurement guidelines, the response against bids was poor due to ambiguity in the guidelines regarding local bidders. SSGC said the cancellation of the World Bank loan will not have any impact on the UFG control programme of the company.

http://www.dawn.com/news/1301618

ADB STALLS $300M LOAN TRANCHE OVER DELAYED REFORMS
The Express Tribune, December 11th, 2016.

Shahbaz Rana
ISLAMABAD: Pakistan's foreign exchange reserves are likely to come under more strain in the coming months as the Asian Development Bank (ADB) has delayed the approval of a third loan tranche worth $300 million for budget financing after the government put energy sector reforms on the backburner.

The loan tranche is critical for the finance ministry as official foreign currency reserves have started depleting. In the last one month, forex reserves held by the State Bank of Pakistan have come down to $18.36 billion – a net reduction of $722 million. The loan proceeds would have been used to provide a cushion to the central bank's foreign currency reserves besides meeting budget financing needs.

The ADB was supposed to approve the Sustainable Energy Sector Reforms sub-programme-III before the end of December, said sources in the finance ministry. The third tranche was part of a five-year $1.6-billion package the ADB had approved to make the country's energy sector sustainable and self-reliant. The government has already received $800 million in two equal tranches in 2014 and 2015.

Sources said that due to non-implementation on most of the agreed prior actions, the ADB may not approve the loan in the near future. The finance ministry is the executing agency while the agreed actions have to be taken by the Ministry of Water and Power, Ministry of Petroleum and Natural Resources and the National Electric Power Regulatory Authority (Nepra).

Lack of coordination in policy formulation and implementation by the ministries and agencies remain a risk to these actions. After the expiry of the three-year $6.2-billion International Monetary Fund programme, the government's focus has shifted away from the energy sector reforms agenda. It has also started taking populist decisions, which carry huge economic implications for the country.

Sources said that an ADB mission recently completed its visit to Pakistan to review progress on actions the country had agreed to take before the board of directors of the Manila-based lending agency and approve the next tranche.

The ADB had set 14 prior actions for the third loan tranche. These had to be completed by July 2016 to qualify for the loan of $300 million, according to ADB documents. Among the key conditions were approval of a multi-year tariff determination for two power distribution companies and reducing the flow of overdue payables of the energy sector to Rs92 billion. Both of these actions could not be completed, sources revealed.
Last month, the government rolled over the Rs136.5 billion loan it had obtained to pay off the circular debt. It suggests the power sector was not self-reliant even after the ADB and the World Bank collectively gave $2 billion in loans for power sector reforms in the past three years.

According to other conditions, the Private Power Infrastructure Board (PPIB) would update procedures for the 2002 IPP policy to ensure consistency with the least cost generation plan for competitive and unsolicited bids from IPPs for new capacity.

The government was also supposed to approve a restructuring plan for the midstream and downstream gas sector, which it could not do, said sources. The Ministry of Petroleum and Natural Resources was supposed to notify a revised 2012 Petroleum Policy to promote additional gas production.

Nepra was tasked to approve market rules to allow generators to directly contract sales to bulk power consumers, covering market registration, balancing operations, settlement and billing among market participants and offshore areas.

One of the targets under the second loan was to help Pakistan with short-term stabilisation measures and start the long-term restructuring for a sustainable power sector. This target could not be achieved.

However, the government claims that during the past three years it has improved the sector's performance. There are now clear policies on tariffs and subsidies that are targeted at low-income customers. The line losses have been reduced and collection rate of Discos have improved.

Yet it could not address the circular debt that stood at Rs662 billion by the end of June 2016 including Rs335 billion parked in a holding company.

ADB Country Director Werner Liepach was unavailable for comment. A senior official of the finance ministry said that the December 2016 deadline for approval of the loan would be missed due to delay in taking prior actions by other government ministries.

http://tribune.com.pk/story/1259911/adb-stalls-300m-loan-tranche-delayed-reforms/