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NEWS COVERAGE PERIOD JANUARY 18TH TO JANUARY 24TH, 2016

CONCERNS OVER SLOW REFORMS

Dawn, Business & Finance weekly, January 18th, 2016

AFTER achieving stabilisation and fiscal consolidation in the first half of its tenure, the government's economic performance is being monitored at home and abroad on the basis of progress on structural reforms for sustaining economic stability.

While giving a general thumbs down on the reform front so far, the International Monetary Fund (IMF) has called for accelerating the pace of removing structural bottlenecks and has presented a case scenario of what these critical corrections meant for Pakistan's short- to medium-term future.

However, the analysis comes at a time the 36-month IMF programme contracted in September 2013 is in its last leg of completion in August this year. With all the ups and downs, the $6.64bn Extended Fund Facility (EFF) has so far seen around 15 waivers with total disbursements of $4.98bn.

The 9th review of the programme concluded by the IMF in December entailed two waivers of non-observance of end-September 2015 performance criteria on budget deficit and slippage on an indicative target on revenue collection and net domestic assets of the central bank. In the process, however, the government had to commit nine fresh targets (both performance criteria, structural benchmark) as compensation to conclude the programme on a positive note.

That seems aimed at securing political gain on fulfilling international obligations and then say good bye to the lender of last resort with the usual sloganeering of 'breaking the begging bowl' — once again. This would happen at a time the government would be already in a pre-poll preparations phase with expansionist policy and populist mood and shifting towards preference to 'growth over fiscal tightening'. If the past is an indication, it is for the next government to consider if a new bailout is required at the end.

This has been recognised by the IMF by saying that fiscal policy has achieved a substantial consolidation and needs to solidify these gains. It, however, pointed out that a key medium-term risk could lie in slower reform implementation. "Slowdown or suspension of fiscal consolidation and key energy and other structural reforms could reverse recent stability gains and affect total factor productivity and potential growth".

Understandably, the IMF staff has pointed out that deterioration of the power sector's and other SOEs' financial performance would lead to higher budgetary transfers to compensate for companies' losses. Together with lower tax revenue, this would reduce the fiscal space for public investment and raise the deficit, potentially crowding out private investment and fueling inflation.

A reversal of stability gains together with slippages in energy sector and other structural reforms would imply that economic confidence and the business climate could deteriorate quickly, with increased instability and resumed power outages in the industry. As a result, medium-term growth could slow to about 3.5pc with increased domestic and external vulnerabilities.

It has predicted that with reforms the country could achieve about 5.5pc GDP growth rate by 2019-20.. Without reforms, the average inflation could increase to 7.5pc in 2019-20 but remain stable around 5pc with reforms.

Also, the IMF staff estimated that fiscal deficit could go beyond 5pc of GDP by 2020 without reforms while reforms could trim it down to just over 2pc of GDP. Moreover, reforms could reduce overall debt below 55pc of GDP which could otherwise stay around 63-64pc by 2019-20.

The IMF said despite a sustained improvement over the past three years, tax revenue is still very low (at 11pc of GDP against its documented potential of around 22pc of GDP) and widening of the tax net remains a challenge. "Little progress has been made in reforming the fiscal federalism system."

Monetary policy has remained prudent in recent years and, low oil prices and strong remittances helped forex reserves strengthened to 3.8 months of imports in September 2015. "However, progress on enhancing central bank independence and strengthening the anti-money laundering (AML) framework has been partial."

Structural reforms advanced but remain incomplete in critical areas. For example, quasi-fiscal losses in the power sector — which have accumulated to a stock of about 2pc of GDP — and in large public enterprises continue, calling for accelerated implementation of the privatisation and restructuring agenda for loss-making public enterprises and completing the energy sector reform.

In addition, there is a need to review efforts to strengthen the business climate. The IMF said the current account deficit had dropped from a peak of 8pc of GDP in 2008 to small 1pc, its structure — a large trade deficit (7.5pc of GDP) financed by remittances (7pc of GDP in fiscal 2015) and other transfers — highlighted the importance of strengthening Pakistan's export competitiveness. Indeed, market shares for Pakistan's exports have been either stagnant or declining.

Also the structure of the financial account showed reliance on debt issuance rather than on FDI flows, which have significantly declined over the last decade. The net International Investment Position (IIP) has marginally declined. The appreciation of the real effective exchange rate (REER) by 17pc over the past two years, while subject to significant uncertainty, point to overvaluation of varying degrees (between 5-20pc).

Also, the gross reserves have remained below the adequacy level. At $15.2bn as of end-September last year, they are at 67pc of the Assessing Reserve Adequacy (ARA) metric. While gross reserves are broadly in line with projections at the outset of the programme, the SBP spot foreign exchange purchases over the last two years have exceeded the significant windfall from commodity prices and remittances. So, continued accumulation of reserves is needed to further strengthen buffers while also supporting competitiveness.

http://www.dawn.com/news/1233729/concerns-over-slow-reforms

CREDIT STARVATION IN FAR-OFF RURAL AREAS
Dawn, Business & Finance weekly, January 18th, 2016

TWO documents, which record the performance of the economy, are the economic survey issued by the finance ministry and the annual report of State Bank of Pakistan.

Economic Survey released each year on the eve of a next years' budget is based on 9-month data of the current financial year and does not provide full picture of the economy. It is also generally believed to have a bias in favour of the sitting government.

As against this, the SBP's annual report, issued much after the expiry of the financial year and based on full year economic data, paints a more realistic picture of the economy.

In 1997, it was decided to prepare quarterly reports about the economy for submission to the Parliament so as to keep the elected representatives posted about the economic development trends.Earlier, in early 1970s, it was decided to make credit allocation and its supervision on regional basis.

However, this could not be done due to non-availability of banking data on regional basis, and more importantly, data on the GDP estimates on provincial basis were to be provided by the planning commission.

Region-wise banking data with all its micro details is now available but the needful has not been done so far. Thus, the economic analysis carried out in the SBP quarterly and annual reports, being on national basis, is largely silent about credit starvation of far-off rural areas in almost all the provinces.

Currently, there is a divide between the government narrative and opinion of independent economists about performance of our economy. The government claims to have moved from consolidation to growth during a time span of around two and a half years whereas almost all the independent analysts talk about worsening of the main fundamentals of the economy: decline in agricultural/industrial growth, falling exports, high dependence on internal and external borrowings, falling tax to GDP ratio and declining investment.

At this critical moment, findings of the latest SBP annual report, despite their overt optimism, seem more tilted in favour of independent economists than the government perspective. For example, Chapter 1- Economic Outlook- describes inflation, fiscal balance and current account balance as positive macroeconomic indicators.

However, this sunny optimism gradually fades away after reading the subsequent chapters which tell that these achievements were largely brought by exogenous factors like unprecedented fall in oil prices, substantially higher remittances and increased flow of funds from international donors.

The SBP did not hesitate to mention serious bottlenecks of our economy (1) low tax to GDP ratio, (2) lower private investment despite a sharp reduction in interest rates and an increase in public investments and (3) the absence of an export-oriented growth strategy or a rational import-substitution focus which did not show any improvement during two and a half years of the current government.

The SBP is thus right to point out that in the presence of these weaknesses in the economy; macroeconomic policies cannot make any meaningful impact.

The SBP did not critically assess its own performance as central bank of the country. Generally, an efficient banking system is supposed to (1) ensure a better rate of return to its depositors, (2) provide banking service at reasonable cost and (3) channel available credit to priority sectors of the economy. Rate of return offered to depositors/savers is very low.

Banks are providing very costly service to their users particularly under branch-less banking. Generally cost of service comes down after automation. But, it has gone up substantially in case of Pakistani banks. There are complaints of credit starvation from far-off rural areas in almost all the provinces.

It is being alleged that due to the absence of regional dimensions in the process of credit planning, rural bank branches are mobilising savings from their locations for onward investing in a few urban areas. The SBP report is silent about these issues because it has precious very little to say in this regard.

Two dangerous trends are taking strong roots in the working of banks. Commercial banks are moving away from fund-based financial products as they are more interested in non-fund based products like selling third party products.

At the same time borrowers including corporate sector are drifting away from banks despite historically low lending rates. As a result, private sector credit ratio to GDP fell from 27pc in 2008 to 13pc in 2015- the lowest in the region.

Commercial banks are not worried about this situation because they are earning huge profits. Although there is a special section in the current SBP's annual report about low credit off-take, it lacks focus and commitment to reverse this trend.

It would be a major policy shift if the SBP asks the planning commission to provide estimates of GDP on provincial basis and then stars allocation and supervision of credit on regional basis to fulfill its decades- long commitment.

http://www.dawn.com/news/1233727

60PC FOREIGN FIRMS TO INVEST MORE
Dawn, January 20th, 2016

KARACHI: Foreign investors and members of the Overseas Investors Chambers of Commerce and Industry (OICCI) foresee their business growing over the next two to three years, but express their dismay with several aspects of doing business in Pakistan as well as "less than desired" support from various government ministries and regulatory bodies.

According to results of the 2015 Perception and Investment Survey unveiled by the OICCI — the premier body of leading foreign companies operating in Pakistan — on Tuesday, nearly 60 per cent of the respondents say they plan to make new investment. Out them, seven out of 10 plan to invest more or similar amounts over the next one to five years, as compared to the investments they made in the previous corresponding period.

Moreover, 69pc respondents plan to increase their employment base, 84pc are expecting increased sales and 79pc expect their profits to rise.

On the flip side, total investments indicated by respondents over the next five years amount to around $3bn only, an insignificant amount given the fact that OICCI members invested $1.4bn in 2014 alone, according to a separate survey done in June 2015.

As for ease of doing business, where Pakistan's business climate has been compared with 10 regional countries, respondents rate India marginally higher than Pakistan. In the 2013 survey, Pakistan was rated marginally above India.

As expected, China, Malaysia, the United Arab Emirates and Thailand, which offer a significantly more conducive business and infrastructure environment, are also preferred over Pakistan.

However, more than half of the respondents give a higher rating to Pakistan as compared to Sri Lanka, Bangladesh, the Philippines and Vietnam despite the fact that macro-economic indicators of these countries have been better than Pakistan in recent years.

More than 50pc of the respondents have once again identified security situation and energy shortage as the two biggest challenges they face.

Although addressing energy gap is high on government's agenda, "the results have not yet materialised", the survey added.

Members have regularly highlighted that instead of broadening the tax base, authorities continue to put more burden of taxation on compliant tax payers. The "super tax" introduced in the Federal Finance Act 2015-16 has been a hard blow for successful companies as they feel that they are being penalised for good management and tax compliance, it said.

Moreover, respondents have expressed their disappointment on actual performance of the government by maintaining 'policy implementation' as the fourth biggest challenge, the same position as in the 2013 survey.

http://www.dawn.com/news/1234059

NEWS COVERAGE PERIOD JANUARY 11TH TO JANUARY 17TH, 2016
DAR INAUGURATES INTEGRATED NATIONAL BOURSE
Dawn, January 12th, 2016

ISLAMABAD: Describing the occasion as a historic day for capital markets and economic progress of the country, Finance Minister Ishaq Dar inaugurated the Pakistan Stock Exchange (PSX) on Monday by hitting the gong three times.

With the establishment of the new integrated national bourse, the stock markets of Karachi, Lahore and Islamabad have been formally merged into the PSX, which began functioning on Monday. The formal titles of indexes such as KSE-30 and KSE-100 will be converted to PSX-30 index and PSX-100 in a few days by the IT departments concerned.

While the PSX will operate from the Karachi Stock Exchange under the new set-up, the Lahore Stock Exchange has been converted into LSE Financial Services Limited with the licence of a non-banking financial institution (NBFI) and the Islamabad Stock Exchange into the ISE REIT Management Company. Brokers of the ISE and LSE have been absorbed along with members of the KSE as certificate holders of the PSX.

The finance minister said the formation of a single national stock exchange would send a positive message abroad and attract more foreign investors in the country's capital market.

He said the PML-N government had taken numerous reform initiatives to revive the country's dwindling economy, which had now become stable.

"I assure you that in future too, the government will take bold initiatives for the economic development of the country, but I will ask political parties not to do politics over projects of national importance. All political parties should work jointly for resolving issues for the country's betterment," he said.

Mr Dar asked the business community to propose incentives to encourage new listings.

Addressing the inaugural ceremony, Securities and Exchange Commission of Pakistan (SECP) Chairman Zafar Hijazi said it was realised that without integration of the three stock exchanges, no strategic investor would come forward. The decision has been taken in consultation with the three bourses.

He acknowledged that in the past the stock exchanges had not been able to effectively play the role of frontline regulators.

"But with structural overhauling in place the PSX must act as an effective frontline regulator with complete segregation of its commercial and regulatory functions," he said, adding that the task would be done by a strong and well-governed board of directors.

Mr Hijazi said the SECP would try to ensure that competent professionals of high integrity were appointed as directors and they were national-level representatives. He said that under the current hybrid structure of the exchange with brokers having 40 per cent ownership of it and proportionate representation on the board, the SECP was hopeful that this model would also be a success in the PSX.

"But if this structure does not work, the SECP will review it in its entirety to devise the best possible way forward for composition of the board," he added.

Mr Hijazi said that because of "our improving economic indicators and compliance with global benchmarks, the MSCI Pakistan Index has been included in the 2016 Annual Market Classification Review for a potential reclassification to MSCI Emerging Markets".

He expressed the hope that with the completion of successful integration of the exchanges and other complementary reforms in place, Pakistan would regain the status of "emerging market" at the MSCI platform.

However, the next challenge for the SECP will be to ensure fair representation of all three former stock exchanges in the elections of four board members of the PSX. The election process is to be completed in 45 days.

PSX Chairman Munir Kamal said that because of the rapidly improving economic situation of the country, local as well as foreign investors were taking keen interest in its capital market.

He said Pakistan's corporate governance performance was close to the world standard and after the formation of a unified national stock exchange, it would further improve. But he said there were some flaws in the taxation system and the PSX would forward its proposals to the government to resolve the issues.

http://www.dawn.com/news/1232394

PAKISTAN'S DEVELOPMENT BUDGET TO UNDERGO RS402 BILLION CUT
The Express Tribune, January 13th, 2016.

ISLAMABAD: Pakistan's national development budget will undergo a steep cut of Rs402 billion or 27% of the total annual allocation for the current fiscal year to keep overall budget deficit within the mutually binding limits agreed with the International Monetary Fund (IMF).

Against the National Economic Council (NEC) approved budget of Rs1.513 trillion for this fiscal year 2015-16, the development expenditures have been shown at Rs1.111 trillion in a report that the IMF released on Tuesday. The report was prepared after holding discussions with Pakistani authorities in November last year.

The NEC meeting, chaired by Prime Minister Nawaz Sharif with all provincial chief ministers in attendance, approved the development spending budget equivalent to 5% of Gross Domestic Product (GDP).

After applying the cut, development spending would come down to the same level as that of the last financial year in terms of total size of the economy.

In fiscal year 2014-15, total development spending stood at 3.7% of GDP; the IMF expects it to remain at the same level this year as well.

The IMF has projected the cut on development expenditures in order to achieve the overall budget deficit target of 4.3% of the total size of national economy or Rs1.292 trillion. The lower public sector investment will also carry implications for current year's national output, which remains subdued due to a variety of reasons.

The IMF has said that the government will miss its economic growth rate target of 5.5%, projecting the current fiscal year's growth at 4.5%; marginally higher than last year's 4.2%.

The bulk of the cuts will be borne by the provincial development budgets, which will collectively see a cut of Rs313 billion, or 38.5% of their budgeted Rs813 billion. The federal development budget, by comparison, will be slashed by 12.7%, or Rs89 billion, of its budgeted Rs700 billion, the IMF projects.

The Rs700 billion includes Rs100 billion spending on military and Temporarily Displaced Persons (TDPs) affected by operation Zarb-e-Azb, which is technically not development spending. The Rs700 billion also included Rs20 billion of Prime Minister's Youth programme.

Effectively, the development spending is Rs580 billion and out of that Rs89 billion will be cut, bringing it to fiscal year 2014-15 level of Rs489 billion.

Against budgetary allocation of Rs58 billion on account of net lending to public sector enterprises, the IMF has shown nil spending against this year. The government has already given Rs4.8 billion cash to Pakistan International Airlines (PIA) besides approving budget for paying salaries to the employees of Pakistan Steel Mills (PSM).

Another reason behind the slash is the surge in current expenditures. For the current fiscal year, the government has allocated Rs3.166 trillion for current spending. However, the IMF has projected that current spending will be Rs3.29 trillion – Rs123 billion higher than budgetary allocations.

"Pervasive tax evasion combined with still wide-ranging tax exemptions and loss-making state-owned enterprises constrain the fiscal space for public investment and social spending," said the IMF in its report.

The IMF has also included an adjustor in the programme on development spending. It said that the ceiling on the overall consolidated fiscal deficit for this fiscal year will be adjusted downward for any shortfall in federal development spending, excluding one-off spending for security enhancements related to fighting terrorism and resettlement of internally displaced persons.

The IMF has not projected any change in this year's Federal Board of Revenue (FBR) tax collection target of Rs3.1 trillion. Any shortfall in tax collection will also have adverse implications for current fiscal year's development spending.

However, the projections showed that the FBR's collection against income tax and federal excise duties might remain below the targets. The less than projected collection against these two heads is shown to be compensated by higher collection on account of custom duties and sales tax.

The surprising increase is shown in collection of custom duties that has been projected at Rs361 billion – Rs62 billion higher than budgetary allocation.

http://tribune.com.pk/story/1026465/psdp-development-budget-to-come-under-the-knife/

CDWP APPROVES 18 PROJECTS WORTH RS23BN

Dawn, January 15th, 2016

ISLAMABAD: The Central Development Working Party (CDWP) on Thursday approved 18 projects with a total outlay of Rs23 billion, apart from referring three projects worth Rs52bn to the Executive Committee of the National Economic Council and giving concept clearance to two projects to the tune of Rs10bn.

Twenty-five projects in sectors of education, governance, energy, the Higher Education Commission, physical planning and housing, transport and communication, manpower and the water sector were considered.

For all the approved projects, including position papers and concept clearance, the foreign exchange component (FEC) is about Rs11bn, whereas Rs5.22bn was allocated for the Public Sector Development Programme (PSDP) 2015-16.

Five projects of the education sector were given approval: University of Dir costing Rs985.34 with a PSDP allocation of Rs50 million; establishment and development of the Islamia University of Bahawalpur sub-campus at Rahim Yar Khan worth Rs726m with foreign exchange component of Rs157.35m and PSDP allocation of Rs50m; post-doctoral fellowship programme of the HEC to cost Rs2,834.68m with FEC share of Rs2,652m and PSDP allocation of Rs60m; construction of boundary wall of the University of Agriculture Peshawar worth Rs239.806m (fully funded by the federal government); and the establishment of University of Turbat at a cost of Rs2,820.622m with a PSDP allocation of Rs413m and FEC of Rs284.88m.

Another approved project of the education sector was "improving human development indicators in Pakistan with focus of the MDGs (Millennium Development Goals) relating to education six EFA goals", which will cost Rs2,365.83m and an amount of Rs500m has been allocated in the PSDP 2015-16.

The Prime Minister's Youth Skill Development Programme (Phase-III) 2015-17 was also approved, costing Rs2,630m. An approved project in the governance sector was the creation of Centre of excellence for the China-Pakistan Economic Corridor which will cost Rs996.636m.

A project, 'feasibility study for enhancing the transmission capacity of NTDC's 500KV transmission system by applying series compensation' of the energy sector, will be completed at a cost of Rs133.18m with foreign exchange component of Rs106.83m.

Six projects in the transport and communication sector were approved, including: flyover at the Nag Shah Chowk Multan at a cost Rs1.47bn with PSDP allocation of Rs150m; construction of flyover on Shaheen Chowk N-5 Gujrat worth Rs1,264.2m with PSDP allocation of Rs800m; comprehensive feasibility study of up-gradation of the existing main line-II (ML-II) from Kotri to Attock city (1,254 kilometres) to cost Rs300m with an equal PSDP allocation; Airport Security Force (ASF) accommodation at the New Islamabad Airport worth Rs2,325.516m with the PSDP allocation of Rs400m; and construction of metalled road in Nankana Sahib costing Rs998.63 having the PSDP allocation of Rs100m.

Three projects of the physical planning and housing included up-gradation and strengthening of the Cabinet Division; six Aviation Squadron for relief operations and enhancement of security worth Rs544.88m with a PSDP allocation of Rs167.13m and the FEC of Rs163.46m; construction of auditorium for 500 persons at the Civil Service Academy Walton Lahore costing Rs102.58m with a PSDP allocation of Rs25.32m; and construction of 15 residences for the Superintendents of Police in Sector H-11 Islamabad with a total cost of Rs154m and PSDP allocation of Rs21m.

Two approved projects in the water sectors were: construction of Zamir Gul Dam in district Kohat at a cost of Rs987.77m with an allocation of Rs500m in the PSDP 2015-16; and agriculture development water management project in Qila Abdullah and Qila Saifullah district costing Rs857.597m.

Three projects, referred to Ecnec for approval, were: construction of Mangi Dam Quetta worth Rs9.85bn with an allocation of Rs500m in the PSDP 2015-16, Kurram Tangi Dam (stage-I construction of Kaitu Weir) to cost Rs22.74 with a foreign aid of Rs4.47bn and PSDP allocation of Rs600m, and construction of additional carriage way of Indus Highway (N-55) Sehwan-Ratodero section worth Rs19.45bn with a PSDP allocation of Rs850m.

One position paper of the transport and communication sector was the construction of four-lane underpass at Wah gate No.1 at Taxila will cost Rs993.55m with a PSDP block allocation of Rs250m.

The concept clearance was accorded to two proposals for the construction of 48-megwatt Shounter HPP district Neelum AJK worth Rs8,972.68m and establishment of the Cadet College Chilas Diamer costing Rs1,657.791m with an FEC share of Rs994.495m.

http://www.dawn.com/news/1233019

BUSINESS CLIMATE IN PAKISTAN BETTER THAN 10 REGIONAL COUNTRIES
The Express Tribune, January 14th, 2016.

KARACHI: More than half of the multinationals operating in Pakistan believe that the business climate in the country is better compared to other 10 regional countries including Sri Lanka, Bangladesh, Philippines and Vietnam, an Overseas Investors Chambers of Commerce and Industry (OICCI) survey result revealed.

The OICCI managing committee shared the results of the Perception and Investment Survey 2015 with Prime Minister Muhammad Nawaz Sharif on Wednesday. Finance Minister Mohammad Ishaq Dar, Commerce Minister Khurram Dastgir Khan and Board of Investment Chairman Miftah Ismail were also present in the meeting.

OICCI President Atif Bajwa said that the overall results of the survey were very encouraging and reflect improved and positive sentiment of the members of the OICCI – an association that represents over 195 multinationals operating in Pakistan.

"About 82% have stated that they foresee continuing growth in their business and that they are generally committed to making further investment in Pakistan," he said, according to a press release.

However, Bajwa added that respondents have also highlighted their concern with some aspects of doing business in Pakistan and have indicated that more support from certain government ministries and regulatory bodies is required.

The good news from this year's survey was that the country's economy continues to improve. This is a welcome sign for the youth entering the job market with more than half of the respondents indicating that they will add to their employment level.

Moreover, nearly 60% of the respondents indicated plans to make new investments, out of which more than seven out of ten respondents plan to invest more or similar amounts over the next one to five years, as compared to the investments they made in the previous corresponding period.

The planned investment in business and human capital is expected to boost revenue and profitability, as 84% of the respondents are expecting increased sales and 79% expect their profits to rise.

"More than 50% of the respondents have, once again, identified security and energy shortages as the two biggest challenges they face followed by an increasing tax burden, policy implementation and lack of inter-governmental coordination," Bajwa added.

Despite the above negative perceptions, the survey responses should be encouraging for policymakers as the High Risk rating for Pakistan as a venue for investment, has, in the opinion of the respondents, reduced to 19% from 42% in 2013.

http://tribune.com.pk/story/1027074/oicci-survey-business-climate-in-pakistan-better-than-10-regional-countries/

US BUSINESSES ASK GOVT TO CONTINUE ECONOMIC STABILITY
Dawn, January 16th, 2016

ISLAMABAD: The US-Pakistan Business Council (USPBC) has recommended the government to consider continuing to pursue macroeconomic stability, implementing reforms to sustain and attract investment, supporting energy and infrastructure development, and launching the US-Pakistan Business Dialogue.

During a three-day visit to Islamabad, a delegation of the USPBC met Prime Minister Nawaz Sharif, Finance Minister Ishaq Dar, Commerce Minister Khurram Dastgir Khan and Board of Investment Chairman Miftah Ismail.

At the sidelines, the delegation shared the council's report with top Pakistani officials and offered 17 recommendations in key priorities. These suggestions can be addressed in the short term in the areas of taxation, protection of intellectual property rights, and bankruptcy and dispute settlement procedures.

The USPBC's delegation comprised 26 senior executives from leading American companies in the IT, energy, and consumer goods sectors. USPBC Chairman Miles Young, who is also the CEO of advertising firm Ogilvy & Mather, and Pepsi Vice-Chairman Mehmood Khan were hosted as state guests.

According to a press release issued by the US Embassy in Islamabad, Ambassador David Hale hosted the delegation at the embassy, where the group discussed opportunities and challenges facing US companies in Pakistan.

He underscored the United States' commitment to strengthening economic ties between the two countries. "Economic engagement is a key part of the US relationship with Pakistan, and the US government is committed to deepening that engagement. We realise, however, that the government alone cannot increase this engagement. In order to do that, the private sector is essential," he said.

The US is the largest destination for Pakistani exports and is one of the country's primary sources of foreign direct investment (FDI).

"American investors are increasingly bullish about commercial opportunities in Pakistan, and our visit to Islamabad demonstrates the council's commitment to work with government officials to help expand trade and investment flow between the two countries," said Mr Young of the USPBC.

"We are optimistic about the future of Pakistan and believe that the country has the potential to become a vibrant and dynamic emerging economy," he remarked.

USPBC President Esperanza Jelalian said: "In meetings with government officials and private-sector leaders, including Prime Minister Nawaz Sharif, the delegation also discussed the role of the US private sector in strengthening US-Pakistan relations."

The US-Pakistan Business Council is the premier organisation based in Washington dedicated to the broad advancement of US commercial engagement in Pakistan.

Since its inception in 2002, the council has provided a national forum for dialogue on key economic, commercial, humanitarian, and political issues of interest to American companies operating in or exploring business opportunities in Pakistan.

http://www.dawn.com/news/1233238/us-businesses-ask-govt-to-continue-economic-stability

FDI ALMOST FLAT DESPITE LARGE CHINA INFLOWS
Dawn, January 16th, 2016

SHAHID IQBAL

KARACHI: Foreign direct investment (FDI) did not show any significant improvement during the first half of this fiscal year, though inflows from China rose significantly.

FDI increased by just 2 per cent year-on-year to $624 million during July-December 2015. Though $400m of this amount came from China, it did not reflect the expected inflows under the $46bn China-Pakistan Economic Corridor (CPEC).

The Chinese investment was just $180m during the same period of last year. This also reflects that FDI from other countries has dried up this year.

Pakistan and China have signed agreement for $46bn investment, but no time frame is available. Moreover, political differences among the provinces have deepened over the investment pattern under the CPEC.

The details showed that the inflow of FDI drastically reduced to $1bn during the six-month period under review from $1.78bn a year ago. However, the low outflow helped the country to retain $624m.

FDI has been a benchmark for developing economies that measures the prospects of economic growth in any country. Pakistan is the poorest among the regional counties regarding FDI while the government looks settled with the situation depending entirely on Chinese promises for $46bn. Political use of the CPEC in Pakistan is much bigger than the actual result, which is not very encouraging so far.

The State Bank of Pakistan reported that the overall foreign private investment fell by 49pc to $385m due to negative (outflow) figure of portfolio investment. The portfolio investment during July-December 205 was minus $373m.

The United States and the United Kingdom, which are major investors in the country, have changed their minds this year. In fact, the US emerged as a country which was willing to disinvest instead of investing in Pakistan. It disinvested $94m compared to $112m investment during the same period of last year.

In case of the UK, the investment remained positive, but fell sharply to $54m from $105m during the same period of last fiscal year. Other major investors were the United Arab Emirates, Hong Kong and Italy as their six-month investments were $86m, $73m and $54m, respectively.

http://www.dawn.com/news/1233241

PAKISTAN TO BE 25TH LARGEST ECONOMY IN 10 YEARS, SAYS IQBAL
Dawn, January 17th, 2016

LAHORE: Federal Minister for Planning, Development and Reforms Prof Ahsan Iqbal said on Saturday that efforts were afoot under Vision 2025 to make Pakistan the 25th largest economy of the world.

Addressing the three-day Pakistan Coating Show, being held from Jan 15 to Jan 17 here at the Expo Centre, Mr Iqbal said that the export sector held the key to achieve this goal, adding that the private sector's role was crucial for the expansion of exports. "Private sector [holds] the key to progress and without its active participation, all economic development projects will remain incomplete," he said.

The minister said that the China-Pakistan Economic Corridor (CPEC) project was a splendid gift and its successful completion could make the country's development irreversible.

He said that Prime Minister Nawaz Sharif had already declared CPEC to be a project of the entire nation and held out the assurance that people of all provinces would benefit from it.

According to the minister, the year 2016 had been declared as the `Year of Productivity, Quality and Innovation' and a comprehensive awareness campaign focusing on these three factors would be launched.

The minister hinted at the establishment of institutions that would cater to the needs of the industrial sector with regards to research and innovation.

"The entire nation must ready [itself] and be united for the economic uplift of Pakistan. [We have the] largest population of youth, which can become a great demographic dividend for us, but only through equipping them with education and skills," he said. For this purpose, the government has increased the Higher Education Commission's budget to Rs78 billion from Rs48bn, he explained.

The minister expressed the hope that foreign visitors would find the Pakistan Coating Show beneficial to them and would be able to strike deals with their Pakistani counterparts. "We will welcome foreign investors and businessmen to Pakistan."

http://www.dawn.com/news/1233551/pakistan-to-be-25th-largest-economy-in-10-years-says-iqbal

NEWS COVERAGE PERIOD JANUARY 4TH TO JANUARY 10TH, 2016
PAKISTAN MANAGES TO RESTRICT BUDGET DEFICIT
Mehtab Haider, The News, January 05, 2016

Second quarter of current fiscal

ISLAMABAD: With improved tax collection and curtailed expenditures in the second quarter (Oct-Dec) of the current fiscal, Pakistan has managed to restrict the budget deficit within envisaged limit of the International Monetary Fund (IMF).

However, the IMF was expected to raise questions on meeting deadline for moving ahead with strategic sale of the Pakistan International Airlines (PIA), Pakistan Steel Mills and privatisation of other power sector entities during the upcoming parleys to complete 10th review. Pakistan is eyeing to restrict the budget deficit at 4.3 percent of the GDP for the current fiscal year and the government had managed the deficit around two percent of the GDP for first half (July-Dec) period. However, the accounts' details are still pouring in and the government will finalise details of fiscal operation till January 20, 2016.

Pakistan and the IMF are scheduled to hold review talks most probably at Dubai from January 26, 2016, under Extended Fund Facility (EFF) for reviewing progress for end December 2015 for approving eleventh tranche for Islamabad's economy. The venue of upcoming talks has not yet been finalised as Islamabad wished the IMF team to visit Pakistan but the security concerns might block the way again this time.

"Yes, we have managed the budget deficit within the desired limit," one top economic wizard told 'The News' here on Monday. The FBR made a net collection of around Rs785 billion, as against target of Rs750 billion fixed for the second quarter of the current fiscal year.

The net collection for the current six months stood at Rs1,385 billion showing an increase of 19% from the corresponding period of the previous year. The target for the current quarter has, therefore, been surpassed by around Rs35 billion. The revenue collection trend during the quarter Oct-Dec, 2015, augurs well for the efforts of the FBR towards achievement of the annual assigned revenue targets.

From July to September, 2015, the FBR made a net collection of Rs600 billion as against target of more than Rs640 billion thus falling short by Rs40 billion. During the current quarter, not only the assigned target of Rs750 billion was achieved, Rs35 billion was also recouped in respect of the shortfall of the previous quarter.

According to press statement issued by Finance Ministry here on Monday, Finance Minister Ishaq Dar chaired a meeting to review preparations for the 10th IMF Review due to begin on January 26.

Finance Secretary Dr Waqar Masood briefed the minister on the progress of various reform measures in the context of the Fund Programme. The status of actions relating to performance criteria and indicative targets, agreed under the programme, were also discussed. The minister expressed satisfaction with the second quarter results as well as the overall progress made since the 9th Review and directed that the positive momentum should be maintained for the remainder of the fiscal year.

He stated that the reforms agreed under the programme had been helpful in achieving the objective of macroeconomic stability and stressed that the process should be accelerated so that the gains made during the last two and a half years are further consolidated.

In a separate meeting, Nasir Mahmood Khosa, Executive Director World Bank, called on Ishaq Dar.

Khosa briefed the minister regarding the upcoming visit of the World Bank president to Pakistan. He stated that the visit was very important in the backdrop of the positive turnaround of the economy achieved in the last two and a half years. He said that the successful implementation of difficult but much-needed reforms had enhanced the image of the country at the international fora. He stated that the forthcoming visit will provide an opportunity to further increase the positive contribution of the World Bank in the infrastructure and social sector development.

The finance minister said the government appreciates the assistance and cooperation of the international institutions which had been helpful in achieving the objective of macroeconomic stability. He hoped the partnership with the World Bank will continue in future as well.

http://www.thenews.com.pk/print/86947-A-hydrogen-bomb-is-more-devastating-than-an-atomic-device

GROWTH BREAKDOWN: SERVICES CONTRIBUTE LION'S SHARE TO GDP GROWTH
The Express Tribune, January 5th, 2016

ISLAMABAD: The services sector is a leading contributor to Pakistan's economic growth and absorbs around one-third of the employed workforce, said a State Bank of Pakistan (SBP) report for fiscal year 2014-15.

According to the report, this sector has been growing more rapidly than the overall gross domestic product (GDP), pushing its share in GDP from 50.7% in fiscal year (FY) 2000 to 58.8% in FY15.

The report added more than 40% of the workforce in Pakistan was still engaged in agriculture, which gives lower productivity, is vulnerable to potential climate change and contributes only one-fourth to GDP.

On the other hand, the industry (where labour productivity is the highest) absorbs 23% of the labour force. Having performed poorly in recent years, its share in GDP fell.

The burden therefore falls on the services sector to steer the productivity growth, create sufficient jobs for the growing workforce and improve per capita income, the report added.

In FY15, the services sector grew 5%; though slightly lower than the target of 5.2%, still surpassed the FY14 growth of 4.4%.

In overall terms, this sector accounted for more than two-thirds of the GDP growth in FY15, the report said, adding within services, all sub-sectors contributed positively to the growth. However, the impetus came from general government and finance and insurance services. Since these two sectors had witnessed a sluggish growth in FY14, a sharp recovery was expected in FY15.

The increase in salaries explains a sharp rise in contribution from general government, whereas, the improvement in finance and insurance stems from strong performance by commercial banks (mainly driven by massive investments in risk-free government securities).

The remaining sub-sectors recorded a lower growth in FY15 than the last year, the report added.

Pakistan is the world's fourth largest producer and third largest consumer of cotton. The cotton industry from production of fibre to manufacturing of value-added products provides livelihood to 25 million people and contributes 10% to the gross domestic product.

Pakistan's advantage in the textile industry lies in the lower segment of the value chain, predominantly the cotton spinning industry, where 500 units contribute 5% of the global spinning capacity. To fulfill raw material needs, the industry imports on an average one million bales of cotton mainly from India, the US and Central Asia.

Year 2015-16 will be tough for the industry due to the decline in cotton production both locally and globally. According to the industry forecast, global consumption will surpass production in 2016 due to a drop in the cotton plantation area by 6%. Pakistan will miss the production target by 5 million bales.

China has been one of the biggest buyers of Pakistan's cotton yarn. In 2014, Pakistan exported cotton yarn worth $1.4 billion, 20% lower than exports in 2013. In 2015, the figure is also lower as Vietnam and India have been able to grab a substantial market share of Pakistan.

In the domestic market, the spinning sector is also under pressure from cheaper imports from India. To protect the sector, the government had to take extraordinary measures by imposing a 10% regulatory duty on the import of cotton yarn and processed fabric. This increased the overall tariff protection to the industry to 15% as the regulatory duty was over and above 5% customs duty on imports.

Although the textile value-added sector was not in favour of the regulatory duty as it wanted cheaper inputs, especially yarn and fabric, the government had to come to the rescue of the spinning sector due to its substantial contribution to production and exports.

The textile industry is also suffering due to chronic energy shortages. The government had imposed a gas supply quota for the industry to meet 25% of its gas needs in winter and divert the rest to domestic consumers. This year has been particularly difficult as the quota has been reduced to 17%. This would further dampen the industry's confidence, especially the value-added sector, and will increase the cost of doing business.

The electricity shortages have also created sustainability issues for the industry. The magnitude of shortages has turned into a national energy crisis. At present, the country faces a demand and supply gap of 5,000 megawatts with demand growing in double digits annually.

The industry has to make arrangements for in-house power generation through imported furnace oil. This has impacted competitiveness and increased the transaction cost for production.

Textile exports from Pakistan also face tariff barriers in markets of major trading partners. There has been a temporary relief for the industry in the European Union through tariff preference under the GSP Plus scheme.

The textile industry has also been complaining about sales tax refunds and duty drawbacks pending with the Federal Board of Revenue. According to industry sources, more than Rs100 billion in sales tax refunds are pending. The industry would obviously like to see expeditious clearance of all refunds so as to solve its liquidity problems.

The declining trend in exports, especially of the textile industry, should be a cause for concern for the policymakers as the country is pursuing an export-led economic growth model.

The major challenge is the energy shortages which may not be solved in the short term as most of the projects including the recently inaugurated Tapi project will not be online before 2018. In the short run, there may not be many options other than manipulating the exchange rate to promote exports. Most economists believe that the rupee is overvalued by 15% which is hurting exports.

There are compelling reasons for rescuing the textile industry through policy interventions. The rupee devaluation could be one of the viable options.

The writer is a development professional with over 20 years of experience in public and development sectors

http://tribune.com.pk/story/1021913/growth-breakdown-services-contribute-lions-share-to-gdp-growth/

February 2016

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

WITH DECLINE IN OIL PRICES, CONSUMERS EXPECT LOW INFLATION

The Express Tribune, February 10th, 2016.

KARACHI: Thanks to a decline in oil prices, Pakistani consumers expect low inflation in coming months, according to a survey jointly conducted by the State Bank of Pakistan (SBP) and the Institute of Business Administration (IBA), Karachi.

The January edition of the bi-monthly SBP-IBA Consumer Confidence Index (CCI) shows an increase of 2.63% over the preceding survey undertaken in November 2015.

CCI clocked up at 172.47 points in the latest survey, up 4.42 points from the CCI reading of 168.05 points in November.

An upward movement in the CCI shows improvement in the households' perceptions about the state of the economy while a downward trend shows otherwise. Households' perceptions, which are relative to six months in the past and six months in the future, are about personal financial conditions, the overall economy, unemployment and consumption of durable goods.

The November edition showed consumers expected an uptick in inflation going ahead, but the latest edition shows the consumers' expectations are to the contrary now.

The survey covers three broad themes: overall consumer confidence indices, inflationary expectations and other key highlights about households' perception of important indicators.

The CCI can be partitioned into current and expected economic conditions indices. The former, denoted by the Current Economic Conditions (CEC), registered an increase of 1.73% from the November 2015 survey. Similarly the latter index, which is denoted by EEC, recorded an increase of 3.56% relative to the preceding survey.
The survey reveals that the overall inflation expectations recorded "a significant decline" relative to the last survey. Similarly, the low inflation expectations are evident for all the commodity groups, food, energy, and nonfood non-energy items.

It is important to note that the expectations about inflation actually play a most significant role in determining the overall price level in an economy. Economists believe prices go up – or remain stable – partly because people expect them to.

Year-on-year inflation, measured by the Consumer Price Index (CPI), was 3.32% in January as opposed to 3.88% in the same month of 2015. CPI inflation has averaged at 2.26% in July-January as opposed to 5.77% in the same period last year.

According to Shajar Capital, essential elements characterising the suppressed inflationary readings include the fall in petroleum and food prices in addition to the reduction in the government's budgetary borrowings from the central bank.

The SBP expects the average inflation in 2015-16 to remain in the range of 3%-4% mainly because of a benign outlook of global commodity prices, expectation of a moderate pickup in domestic demand and further ease in supply-side constraints such as energy shortages.
According to the SBP, the trend in inflation is finally reversing, as the declining movement of the CPI has stopped. In fact, the year-on-year CPI has gone up a little for the last four months.

The SBP-IBA team conducts a stratified random telephone survey of more than 1,750 households across Pakistan every two months. Of these, 66% households were fresh interviewees while about 33% households were interviewed in the previous edition as well.
http://tribune.com.pk/story/1043503/sbp-iba-survey-with-decline-in-oil-prices-consumers-expect-low-inflation/

NEWS COVERAGE PERIOD FROM FEBRUARY 1ST TO FEBRUARY 7TH 2016

STOCKS AND BONDS WALL STREET WEEK AHEAD: US CORPORATIONS TO REPORT BEST AND WORST OF TIMES
Business Recorder, (February 01, 2016)

Stock market investors who spent January swayed by oil prices, economic weakness in China and central bank speculation may continue to do that next week, even though it should be a dramatic one for earnings reports and economic data.

Fourth-quarter 2015 earnings reports coming from Internet leader Alphabet and Exxon Mobil, an old-economy company hit by falling oil prices, will spotlight the yin and yang of Corporate America. If shares of Alphabet, Google's parent, rally in response to the strong results that are expected, it could displace Apple as the biggest company in the world.

That would be ironic and a confirmation of the move away from traditional companies to new tech ones: Apple unseated Exxon when it climbed to the top of the list in 2011. So far, the earnings reporting season has painted a bifurcated picture of corporate health: social media behemoth Facebook reported fourth-quarter revenues more than 50 percent higher than those of the same quarter a year earlier, while oil major Chevron reported its first quarterly loss in more than 13 years.

As they have for several years running, companies are generally beating expectations on earnings but doing so via cost cuts and buybacks; the number of companies surprising analysts with better-than-expected sales figures is far smaller. Perhaps because of that, investors have muted their response to earnings reports a bit while they ramp up trades based on more global events, such as Chinese economic reports or oil price declines and increases.

Though investors continue to bid up stocks of companies that beat expectations and sell those that fail, the spread between their performance has narrowed, said Jonathan Golub, chief equity strategist at RBC Capital Markets in New York. Alphabet reports earnings Monday.

Its stock has moved on average 5.5 percent (sometimes up, sometimes down) following its previous eight quarterly results. With a market capitalisation near $517 billion, such a move higher would catapult it over Apple's $536 billion. The company's numbers are expected to shine. "For the past two quarters Alphabet has delivered strong results beating analysts' estimates," said Peter Garnry, head of equity strategy at Saxo Bank in Copenhagen. "Facebook's blow-out fourth-quarter results point to strong mobile and video numbers for Google." Other companies reporting earnings next week include Aetna, Pfizer, Merck, Anadarko, ConocoPhillips, Occidental Petroleum and General Motors.
On the economic front, the all-important US employment report expected Friday will close a week that includes key data on factory activity and construction spending, car sales, services sector growth and inflation. The numbers come after data showed US economic growth slowed sharply in the fourth quarter with gross domestic product up at a 0.7 percent annual rate.

"Manufacturing is clearly weak, segments of manufacturing are in a recession, so the one thing that continues to keep our head above water on a GDP basis is the consumer," said Don Ellenberger, head of multi-sector strategies at Federated Investors in Pittsburgh. "Any sense of weakness in the payroll number or any of the employment statistics we get next week would really be a cause for concern."
http://www.brecorder.com/market-data/stocks-a-bonds/0/12401/?format=pdf

March 2016

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

ADB REPORT: PAKISTAN MAY FACE CONCERNS OVER EXTERNAL ACCOUNT STABILITY

The Express Tribune, March 31st, 2016.

ISLAMABAD: Pakistan's economy would grow at a moderate pace of 4.5% this fiscal year and the country may face external account stability concerns in the longer run due to slowdown in remittances and falling exports, according to a new report of the Asian Development Bank (ADB).

The Asian Development Outlook 2016 – the biannual flagship report that the Manila-based lending agency released on Wednesday – has flagged the issue of remittances, which are slowing down due to falling incomes of Gulf countries.

However, the chapter on Pakistan lacks substance on savings, investments and a critical analysis of fiscal operations. The ADB has projected Pakistan's economy will grow at a moderate pace of 4.5%, which is below the official target by one percentage point and significantly lower than the rate required for absorbing the youth seeking jobs.

At this pace, Pakistan's economy will be the fifth fastest growing economy among eight South Asian nations. Maldives, Afghanistan and Nepal are the other three countries that will fall behind Pakistan. India is projected to grow at the fastest pace of 7.4% in the region.

"Despite global headwinds, the economic outlook of Pakistan is for continued moderate growth as structural and macroeconomic reforms deepen," noted the ADB. Persistence will be required to overcome longstanding structural impediments to investment and enable faster growth, it added.

The report said that since remittances significantly contributed receipts and were a buffer against external shocks, any sustained slowdown on top of falling exports would create concern for the stability of external accounts.

The government has estimated receiving $19.5 billion remittances in the current fiscal year. The ADB noted that workers' remittances expanded by only 6% in July-January period of this fiscal year, down from an average of 15% annually in the previous six years.

The ADB said that net imports will continue to be a drag on growth as exports falter and lower oil imports are offset by higher quantities of other imports. "A slowdown in remittances and lower commodity prices are expected to retard growth in rural incomes and spending," said the ADB.

Despite concerns raised by some local economists and now by the ADB, the federal government and the State Bank of Pakistan (SBP) have not prepared alternative plans.

The ADB said that challenges that impede growth in Pakistan include weak infrastructure and transport connectivity, inadequate workforce skills and subpar governance, institutions, service delivery and access to finance.

It said inadequate investment has weakened human development, and the resulting dearth of skills hampers the country's ability to compete in global markets and transition to production with higher value added.

It has said that further implementation of structural reforms will consolidate recent gains in macroeconomic stability and improve the investment climate amidst the improving security situation, especially in Karachi, the commercial hub of the country.

The lending agency noted that growth in industry is expected to be driven by strong expansion in construction and continued moderate expansion in mining, utilities, and manufacturing.

The agriculture sector is likely to continue to grow only moderately. However, continued strong expansion in livestock, which accounts for over half of agricultural production, will partly offset reductions elsewhere.

The government introduced an agriculture support package in September, which largely remains unimplemented.

Growth in services will be led largely by transport improvements and higher profits for financial services, though retail and wholesale trade should also benefit from improved industrial activity. In the current fiscal year, inflation is expected to average 3.2%, reflecting lower global oil and commodity prices.

The ADB said additional revenue measures taken in December 2015 are expected to push inflation up marginally in the remaining months of the fiscal year.

The current account deficit in FY2016 is projected to remain low at 1% of GDP for a second year in a row as prices for oil and other commodities stay low and inflows continue under the Coalition Support Fund (CSF) – despite declining exports and slowing growth in remittances.

The ADB said that official foreign exchange reserves increased to $15.4 billion in January 2016, however, inflows that do not create debt continued to be limited, as foreign direct investment increased only slightly to $624 million.

http://tribune.com.pk/story/1076068/adb-report-pakistan-may-face-concerns-over-external-account-stability/

ECONOMIC ADVISORY COUNCIL: GOVT IS AIMING FOR 5% GDP GROWTH, SAYS DAR
The Express Tribune, March 31st, 2016.

ISLAMABAD: After having achieved economic stabilisation, the government is now focused on inclusive economic growth and aims to achieve GDP growth of over 5% in FY2015-16, said Finance Minister Ishaq Dar, while chairing the 7th Economic Advisory Council (EAC) meeting.

"Most macroeconomic indicators have shown remarkable improvement during the last two and a half years including GDP growth, revenue collection, fiscal deficit and inflation," said Dar, while asking the EAC members to guide the government for further improvement in economic management.The finance secretary gave a detailed presentation and briefed the committee on the debt situation.

"The Federal Board of Revenue (FBR) is on track to achieve the revenue target of Rs3.1 billion set for 2015-16," said FBR Chairman Nisar Muhammad Khan, adding that the government would continue the policy of eliminating concessionary SROs in the next budget.

Also present on the occasion, Dr Ishrat Husain spoke on the economic developments and emphasised the need for strengthening the tax administration and removing the contact between taxpayer and tax collector.

Highlighting the importance of federal and provincial fiscal coordination, he suggested the government to look into setting up a long term infrastructure financing fund.

http://tribune.com.pk/story/1076083/economic-advisory-council-govt-is-aiming-for-5-gdp-growth-says-dar/

GOVT TURNS DOWN IMF PROPOSAL TO LIMIT SUPPLEMENTARY BUDGETS
The Express Tribune, April 3rd, 2016.

Shahbaz Rana

ISLAMABAD: Pakistan has turned down an International Monetary Fund (IMF) proposal to amend the Constitution so that the government needs parliament's prior approval before obtaining a supplementary budget. The suggestion comes amid fresh concerns about the country's external debt, which IMF now says may touch $72 billion in the next three months.

The latest IMF report on the health of Pakistan's economy reveals that the global lender had pushed the government to amend its Constitution and make the country's fiscal regime effective in controlling the exponentially rising debt.

The report also reveals that the IMF has revised for the fourth time in the last seven months its projection of the country's total external debt upward. In the fresh assessment, it raised the debt ceiling for the current fiscal year ending on June 30 from $70.1 billion to roughly $72 billion.

At the time this year's budget was passed, the IMF had projected significant growth in Pakistan's external debt to the staggering figure of $68 billion. A net addition of $4 billion suggests the difficulties the country faces in increasing income and foreign currency reserves without borrowings. For the last more than two and a half years, the federal government has made massive borrowings to manage the budget and external accounts.

Pakistan's external debt projections have been erratic since the beginning of the $6.2 billion IMF bailout programme, creating uncertainty in debt management and indicating lack of reforms necessary to control ballooning debt. The total public debt has been projected at Rs19.4 trillion, including Rs13.1 trillion domestic debt.

The IMF said that Pakistan's fiscal responsibility framework has a number of important elements, but the current set of fiscal rules has not been able to effectively guide policymaking and deliver debt reduction as planned.

The global lender wanted the federal government to surrender its executive powers of sanctioning supplementary budgets without parliament's approval, according to officials who negotiated with the IMF.

Getting supplementary budgets is extremely easy right now. The finance ministry informs the National Assembly about the extent of supplementary grants during the time of approval of next year's budget, making parliament ineffective.

Since June 2013, supplementary grants were issued to pay off circular debt, buy luxury vehicles for the prime minister and his aides, pay subsidies to affluent people like sugar barons and give grants to parliamentarians and bailout packages to PIA.

The IMF called for a comprehensive overhaul of the Fiscal Responsibility Debt Limitation (FRDL) Act, 2005 to introduce more effective fiscal policy rules at the general government level.

"Some of the recommendations may require a constitutional amendment, however, the authorities opted for more limited modifications of the act by submitting to NA by end-May 2016," the IMF report stated.

The Iftikhar Chaudhry-led Supreme Court had banned sanctioning of supplementary budgets without parliamentary approval after then prime minister Raja Pervez Ashraf got a Rs47 billion supplementary budget for his constituency.

However, after Chaudhry's retirement, the federal government got the order reversed on the plea that the Constitution allows the federal government to issue supplementary budgets. The IMF wants to address the root cause but the government did not agree.

The IMF said Pakistan's total debt, which is currently at 65% of GDP, is high. To put the debt-to-GDP ratio on a firm downward trajectory, there is a need to build fiscal buffers against adverse shocks, safeguard macroeconomic stability, and set the stage for sustainable and inclusive growth.

Instead of taking a holistic approach, the government has opted for limited change. Under the agreed framework, the federal government would amend the law to keep the federal budget deficit at 4% of GDP from fiscal year 2017-18 and at 3.5% of GDP from fiscal year 2019-20.

Second, it will make the condition of limiting public debt at 60% of GDP until 2017-18, and subsequently a 15-year transition path towards a debt-to-GDP ratio of 50% legally binding. Although the law requires debt to be reduced to below 60% of GDP, the government is violating this clause since it came into power.

http://tribune.com.pk/story/1077905/debt-concerns-govt-turns-down-imf-proposal-to-limit-supplementary-budgets/

NEWS COVERAGE PERIOD FROM MARCH 14th TO MARCH 20th 2016
PAKISTAN ECONOMY : IPR LAUNCHES REPORT ON SIX MONTHS

Business Recorder, March 15, 2016

HASSAN ABBAS

LAHORE: Institute of Policy Reforms (IPR) launched a report on six-month review (July to December) of the Pakistan economy for the year 2015-16.

"Pakistan has pinned too much hope on the China Pakistan Economic Corridor for its economic revival but the corridor will also increase Pakistan's external indebtedness. The projects under CPEC must have high economic returns so that the country can pay off the debt incurred. External debt is a deep-rooted issue for Pakistan. It will grow with new projects and concomitant import of inputs such as the liquefied natural gas and coal," report said.

The report suggested the government to take steps to boost business activity.

"The revival of industry and agriculture needs a mix of policy, governance, and public investment support. Access to project finance for the private sector is key," report said.

According to report, "Pakistan's economy has achieved its targets for economic stability, under International Monetary Fund programme. However, it has fallen behind on growth. With a substantial provincial surplus, fiscal deficit for the period July-December 2015 was 1.7 percent. This is well within the target for the year. Revenue collection and expenditure are largely on track.

The latter especially because half-year public sector development spending was about one quarter of budget.

The rate of inflation too has dropped. For the period July 2015 to February 2016, year on year CPI fell, though it is above the lowest point of September 2015. The fall in inflation stalled because of increase in GST on some items and because the Pakistan Rupee lost value in August and October."

"Growth during July-December 2015 has been slow. Against its annual target of 6 percent, Large Scale Manufacturing grew year on year by 3.9 percent during July-December 2015. In agriculture, production of cotton and rice, two major crops, fell. This year, cotton lost about a third of its previous year production.

Sugarcane production may increase from last year's low, but will be short of the 68 million tons target. Agriculture growth is unlikely to meet the government's target of 3.9 percent for the year," it added.

"Investment also may not meet the target set by government, as there may be cuts on development. Credit to the private sector and import of machinery have increased. It is not clear if these are sufficient to boost investment to the desired level.

Power supply, which grew modestly during July-November, continues to constrain economic activity. Overall, IPR subscribes to IMF's cautious growth estimate of 4.5 percent for 2015-16 against the government's 5.5 percent.

Balance of payments poses a special challenge. With decline in exports and low FDI, the economy has relied on external debt, sometimes at high cost. Consequently, the burden of debt repayment will increase significantly in the coming years. Exports fell by an alarming 15 percent during the six months under review.

Textiles, our main export, alone fell by nine percent. This is partly because of slow growth of the world economy and world trade. However, Pakistan's exports have suffered also because of the Rupee value and fundamental issues of competitiveness, report mentioned.

The report also emphasised that while it focuses on stability, government must concurrently begin structural reforms of the economy. This is critical if the country is to break out of the low growth trap and continued dependence on external savings.

It suggested that for too long policy makers in Pakistan have relied only on management of macroeconomic indicators. It is time for strong action on reforms.

Even within stabilisation, they must aim for quantum growth in tax revenues. Successive governments have been unable to persuade important constituencies to pay taxes. The government must reengineer tax policy and administration. Without this, it cannot play its due role in development.

http://epaper.brecorder.com/2016/03/15/5-page/741026-news.html

PAKISTAN RECEIVES $751 MILLION FOREIGN DIRECT INVESTMENT
Dawn, March 16th, 2016

Shahid Iqbal

KARACHI: Foreign direct investment (FDI) inflows rose 4.8 per cent to $751 million during the first eight months of this fiscal year compared to $716m in the corresponding period last year, with major chunk of $436m from China.

The State Bank of Pakistan statistics released on Tuesday showed that the overall foreign private investment (FPI) plunged by 55pc to $405.5m during July-February 2015-16 from $898.3m in the same period last year. This drastic decline was due to a massive outflow of $345m from the equity market during the period. The portfolio investment during the same period last year was $182m.

Analysts termed this situation disappointing since the FDI was at very low level and unlikely to cross even the $1bn mark by June 30, 2016.

They said the foreign investors were not convinced that the country has made progress in dealing with the menace of terrorism and the Chinese investment did not mobilise others to invest in Pakistan.

The United States has started withdrawing investments and its disinvestments during the period was $74m. Saudi Arabia, another friend of Pakistan, also withdrew $85m during the period.

However, the UAE emerged as the second biggest investor with $111m, followed by Hong Kong with $101m during July-February period of 2015-16. Italy's net investment was $73m.

Despite positive indicators like record foreign exchange reserves of over $20bn, high growth in remittances and better law and order situation, the domestic investment has also not increased. Analysts say the government should take steps to improve domestic investments which will attract foreign investors.

There is a turn in this situation with the greater credit off-take by the private sector during the July-February period, but the State Bank's report showed that most of the money taken by the private sector was for working capital. It suggests that domestic investment is yet to take off.
http://www.dawn.com/news/1245884

DEVELOPMENT BUDGET NEXT YEAR COULD BE LESS THAN RS645B
The Express Tribune, March 17th, 2016.

Despite heavy financing needs to complete mega infrastructure and energy projects, the new financial year's core federal development budget could be less than Rs645 billion, which may adversely affect work on hundreds of ongoing schemes.

Due to limited fiscal space, there is no guarantee that the allocated amount would be fully disbursed, as is the case this fiscal year, sources told The Express Tribune. The actual development expenditure during the first eight months of the ongoing fiscal year was just one-third of the annual allocation against the requirement of 60%.

For the next fiscal year 2016-17 that will begin from July, the Ministry of Finance may increase the size of the Public Sector Development Programme by almost Rs65 billion over and above this year's approved core PSDP of Rs580 billion, said the sources.

The 'Indicative Budget Ceiling' of around Rs645 billion suggests that similar to the previous occasions, political influence and priorities of Prime Minister's Office would determine which project is given preference due to competing demands.

For the fiscal year 2015-16, Parliament had approved Rs700 billion PSDP. However, out of this, a sum of Rs100 billion has been allocated for 'Temporarily Displaced Persons' (TDPs) and security enhancement.

Another Rs20 billion has been allocated for the Prime Minister's Youth Loan Programme. Technically, this Rs120 billion could not be treated as part of the PSDP but the finance ministry included this into the PSDP to show an inflated figure of development spending.

Moreover, the concept of 'core PSDP' has been introduced for the first time, courtesy 'creative accounting' measures. According to sources, the decision over allocations for the TDPs for next year would be made after holding consultative meetings with General Headquarters (GHQ).

In addition to over 1,000 schemes of previous years, the PML-N government has approved hundreds of new schemes; including some very crucial ones like China Pakistan Economic Corridor (CPEC) project. This has increased financing needs, which the government is unable to meet due to limited fiscal space.

The country is currently under the three-year International Monetary Fund (IMF) programme and its budget is decided within the broader parameters set by the Fund. The IMF's next year's projections show that in terms of the size of the economy, the development spending will be almost at current fiscal year's level.

For the next fiscal year, the IMF has projected the size of budget deficit at 3.5% of Gross Domestic Product (GDP) – a ceiling that the government is unlikely to accept due to rigidity of current expenditures.

Meanwhile, the Ministry of Finance has massively squeezed the current year's PSDP spending. Against development spending authorisation of Rs336 billion by the Ministry of Planning, the Finance Ministry allowed less than Rs230 billion in expenses. The expenses so far, standing at about 33% of the annual budget of Rs700 billion, should have been at 60%.

Due to the anticipated savings, the Ministry of Planning has asked the federal ministries to start surrendering excess funds. "The ministries have been asked to surrender additional funds that are expected to remain unutilised and could be channeled for other fast-moving projects," said Minister for Planning, Development and Reforms Ahsan Iqbal.

He said the ministries had been asked to complete the exercise in three days. Iqbal, on Wednesday, also chaired a meeting aimed at giving policy guidelines to federal ministries and departments for preparing the next fiscal year's PSDP.

"The government's top priority is energy and CPEC projects," he remarked.

http://tribune.com.pk/story/1067187/psdp-development-budget-next-year-could-be-less-than-rs645b/
NEWS COVERAGE PERIOD FROM MARCH 7th TO MARCH 13th 2016
CHINESE TEAM TO VISIT NEW GWADAR AIRPORT'S SITE
Dawn, March 7th, 2016

Saher Baloch

GWADAR: A delegation from the Chinese Overseas Port Holding Company is expected to arrive in Pakistan on Monday and visit the site of the new international airport in Gwadar on March 12.

The delegation will inspect the site to eventually begin work on the airport, according to the Director General of the Gwadar Development Authority, Dr Sajjad Hussain Baloch. The construction of the airport would be "completed by the end of this year", he added.

In February last year, Gwadar port was handed over to the Chinese Overseas Port Holding Company to make it operational. The agreement on the 40-year lease on the project includes construction of an international airport and a four-lane road on the main arterial road of Gwadar.

About 700 metres of construction work on the 50km seafront Gwadar port has been done, according to the Chairman of the Gwadar Port Authority (GPA), Dostain Khan Jamaldini. Of the 50km seafront master plan area, GPA has been able to arrange a seafront of around 21km which is assigned to the port operator (China) for port development on Build Operate and Transfer basis under a 40-year concession. He says that so far "the port consists of 706 metres long multi-purpose terminal and a service berth with a roll-on / roll-off facility." Simply put, only "0.7 per cent of work on the port has been done since its inception in 2006".

Despite having an excellent line-up of plans for the port on paper, the infrastructural work on ground is less visible. At the same time, the northern part of the port, making up to 29km of seafront, has not yet been acquired. Officials associated with the project say that apart from six basic policies needed to run the port — such as making Gwadar a special economic zone, introducing labour policies, logistics, ship services and port and industrial development planning among others — water and electricity shortage remains the biggest hurdle in beginning the project on a strong footing.
Initial design of the port provided by the National Engineering Services Pakistan in 2000 was approved by the Balochistan government which helped in ensuring one half of the work. However, Jamaldini adds that the design was less worked upon and was later rejected by the federal government.

Phase I of the port which was completed included the construction of the storage area, machinery, vehicles and port-related infrastructure, a multi-purpose terminal, three berths of 200 metres each and a 4.7km pathway. According to official papers, Phase I began in 2002 and it was completed in April 2005, but former officials associated with the project say it was completed by Dec 2006. After completion of Phase I, the government ran a bid on the port in Feb 2007, and later signed a 40-year agreement with the Chinese through their bidder Port of Singapore Authority. The PSA eventually handed over the rights of the port back to the Chinese Overseas Port Holding Company in 2012 without citing any reasons for backing off from the project, officials say.

On May 9, 2006, Arthur D. Little, a consulting firm from the US, Lyon Associates, a construction management from Honolulu, US, and IAC Group completed a 50-year master plan for the port to be completed by 2055.

The plan is extensive and clearly cut out to run a port effectively, but the GPA chairman says that "lack of planning and infrastructure — gas, water and electricity — along with budgetary hurdles are causing delays".

He says there is no actual timeline of when the project will be completed. Declaring Gwadar a special economic zone for 20 years would be a big shot in the arm to make the project sustainable, he added.

At the moment, construction work to build a four-lane road on the main arterial road in Gwadar is under way. Apart from that, maintenance work, which authorities related to the Public Health Engineering Department say is related to installing water pipelines, is causing an electricity shortage of eight hours daily.

Currently, Gwadar receives 14MW from the 70MW coming through a 400km transmission line from Pishin in Iran's Sestan Baluchestan province bordering Mand, Balochistan. The transmission line goes from Pishin, in Iran, to Mand, Turbat, Pasni, Panjgur and then Gwadar. GDA director general Dr Sajjad says that it is maintenance work near the transmission lines which disturbs the flow of electricity, "otherwise Gwadar faces two to three hours of power shortage".
Water shortage in the city is totally dependent on making the already initiated, but dormant desalination plant in Karwat, Gwadar, partially functional. At the same time, Dr Sajjad adds that part of the area adjacent to Koh-i-Mahdi known as Mullah Bundh will be categorised as a free trade zone in May which will add to "port's attraction among investors".

However, what stands in the way of the mega project is the uncertainty over the timeline of its completion. Showing his concern during a meeting with the GPA chairman on Feb 29, country director Pakistan, Werner E. Liepach said that "Confusion over the groundwork made us visit Gwadar by ourselves and to know exactly what has been accomplished so far."

Adviser to the Chief Minister of Balochistan, Dr Kaiser Bengali says the "details of the project or the timeline of its completion have not been released". Even within the government circles, he adds, "broad-level discussions are taking place without getting into the specific details about the share of Pakistan or Balochistan in the income generated by the port".

Speaking about the Chinese interest in the port, he said: "The Chinese need us and yet Pakistan is accepting and accommodating proposals coming from the Chinese rather than the other way around."

Citing an example of the Suez Canal and the Panama Canal, he said these ports were controlled by their respective governments and contributing millions of dollars in revenue. "We need to show more sass as we are already managing two ports, and taking care of the third one should not be a problem," he added.

http://www.dawn.com/news/1244049

BUDGET FY17: SECURITY, ENERGY AMONG TOP PRIORITIES: DAR
Business Recorder, March 07, 2016

Finance Minister Ishaq Dar chaired a meeting of senior officials of Ministry of Finance to review the status of preparation of budget 2016-17. The meeting was apprised about the schedule of preparatory activities.
The secretary finance on the occasion presented a comparative analysis of the revenue and expenditure position in the current year (2015-16) budget and made suggestions on the strategy to be adopted for the next financial year ie 2016-17.

The meeting was informed that budget call circulars had already been issued to ministries and departments concerned to undertake their preparations accordingly.

The finance minister expressed satisfaction on fiscal results for the first eight months of the CFY 2015-16. He stressed continued vigilance on expenditure in line with revenue receipts so that the budgetary targets are achieved without fail.

He emphasised that the national security, rehabilitation of TDPs, poverty reduction, energy and infrastructure development continue to be the priorities of the government and the budget 2016-17 should reflect these priorities.

He also stated that the government's focus on accelerated and inclusive economic growth should remain as the guiding principle during the budget making process.

http://www.brecorder.com/market-data/stocks-a-bonds/0/23358/

DEVELOPMENT OF LAND-BASED ECONOMIC SYSTEMS
The Express Tribune, March 9th, 2016

Shahid Javed Burki

According to several newspaper accounts, Finance Minister Ishaq Dar's statement to the Senate on March 2, was received with considerable skepticism by the folks occupying the opposition benches. The press reports did not provide details of what the finance minister said. He must have focused on the relative macroeconomic stability achieved during the first half of the tenure of the administration headed by Prime Minister Nawaz Sharif. He also probably spoke about the better growth prospects in the remaining months of the current government's tenure. These are correct assessments. There is no doubt that the economy is in more competent hands than was the case when the country was governed by President Asif Zardari and his team.

I don't know how much time the finance minister spent on the contribution, the proposed China-Pakistan Corridor (CPEC) is likely to make to the structure of the country's economy and the pattern and pace of its growth. I believe that when future historians look back on the development of the Pakistani economy, they will read the years 2015-2016 as game changing. A new development paradigm would have been put in place.

Most early works on economic development and growth focused on constraints. Savings were generally regarded the most important determinant of growth. However, these were very low in the world's developing nations. Subsistence requirements claimed most of what individual households produced. As scores of countries emerged from colonial rule, those placed in leadership positions became concerned with the process and pace of development. The long drawn-out campaign for gaining independence from colonial rule had increased people's expectations. These had to be satisfied. How to quicken the rates of economic growth and to distribute its rewards equitably became two of the most important questions that got asked.

The easier answer to the two questions was to kick-start growth by obtaining external resources to augment paltry domestic savings. Thus was born the economics of foreign aid — how much the developed world was prepared to provide to less advanced nations and to what use, foreign aid should be put.

The world's rich nations led by the United States were responsive to the demands of the nations emerging from centuries of colonial rule and exploitation. Unlike European colonialists, America had not been a colonial power. It also became increasingly concerned that unless the West stepped in to help the developing world, the Soviet Union could make serious inroads into Africa, Asia, and Latin America.

At one point, acting collectively, the West agreed to provide up to 0.7 per cent of its combined GDP as development assistance. Very few countries met this target. Those that did were the small nations in Northern Europe.

Initially, development assistance went into investments in physical infrastructure and industrial development. Later, the quality of human resource as a development issue began to attract academic and policy attention.
This moved the emphasis from external action to those focused on domestic policy-making. It also came to be recognised that trade was an important contributor to growth. Empirical work established a close relationship between trade and growth: the countries with large trade-to-GDP ratios were also expected to have higher rates of growth in national income.

However, accounting of trade meant international commerce, not necessarily the movement of goods and commodities within the boundaries of individual nation states.

Since most international trade moved on sea-lanes, land-based economic systems did not receive much attention from the academic community as well as the community of policymakers. It is only recently that land-based economic systems began to be looked at with interest as a source of economic growth and development. If Pakistan makes good use of the promised $45 billion investment in developing the CPEC, it could provide the lead in defining this paradigm shift.

According to one assessment, "a land based economy is by definition rooted in place, animated by its inhabitants, and conditioned by the natural resources that make up the span of its geography, however, that is defined — one day's horse ride, river or mountain boundaries.

But this is a very limited interpretation of a vast subject at the centre of productive and efficient land-based commerce. It was based essentially on local consumption. We need to extend development thinking to land-based international commerce.

There is a reason why land-based economic systems have received so little attention in development literature. The European empires were established by the conquerors and explorers who used the sea to reach distant lands. There were some examples of the use of land to reach out.

This was done by the Mongolian hordes under Chengez Khan and the conquest of India by Babar, the first of the Great Mughal Emperors. But oceans were generally the conduit of conquest and commerce. It was inevitable that this would lead to use of the sea to transport goods and commodities, back and forth between the colonial powers and the territories they controlled.

This is likely to change with President Xi Jinping's Great Silk Road Project whose purpose and ambitions have not been fully understood. Here is a role for Pakistan to play. Once the investments have been made, Pakistan's economy will become a thriving part of the vast landmasses in Central Asia and Western China..

http://tribune.com.pk/story/1061881/development-of-land-based-economic-systems/

REMITTANCES RISE 6PC TO $12.7BN
Dawn, March 11th, 2016

SHAHID IQBAL

KARACHI: Remittances from overseas Pakistanis rose six per cent to $12.7 billion from $11.986bn during the first eight months (July-February) of this fiscal year, the State Bank of Pakistan (SBP) said on Thursday.

In February 2016, the inflow of workers' remittances amounted to $1.516bn, which was 3.65pc higher than January 2016 and 6.74pc higher than February 2015. The inflows fell 10pc to $1.462bn in January compared to December.

The latest data showed that Saudi Arabia, which is currently at war with neighbouring Yemen and facing steep fall in its income from record low oil prices, remained the prime source of remittances.

Experts and analysts said Saudi Arabia was under serious financial stress but had excellent relations with Pakistan as reflected from the situation that Pakistanis were facing no job cuts.

Another development that may hurt the kingdom's income was the entry of Iran in oil markets after lifting of international sanctions.

Of the total, remittances from Saudi Arabia in July-February FY16 amounted to $3.830bn, the highest from any country.
Remittances from the United Arab Emirates (UAE) were the second highest at $2.083bn. Dubai showed the highest growth (at 35pc) in remittances during this period as inflows from the emirate jumped to $1.874bn.

Overseas Pakistanis residing in the United States and United Kingdom sent $1.739bn and $1.599bn, respectively.

Falling oil prices also helped Pakistan reduce the size of trade deficit, which has been a real cause for imbalances on external fronts. The country has so far saved about $3.3bn in oil import bill in the first seven months (July-January) of this fiscal year.

The collective impact of remittances and savings from oil import bill resulted into a cushion of about $16bn for the country, helping it maintain the reserves at $20.5bn.

http://www.dawn.com/news/1244832/remittances-rise-6pc-to-127bn

April 2016

NEWS COVERAGE PERIOD FROM APRIL 25th TO MAY 1st 2016

GROWTH TARGET TO BE MISSED: BUDGET PAPER APPROVED BY CABINET

Business Recorder, April 28, 2016

The Federal Cabinet has approved the budget strategy paper for the next fiscal year with Finance Minister acknowledging that the country would miss the budgeted GDP growth target of 5.5 per cent for the current fiscal year due to a massive decline in cotton production. A meeting of the Cabinet presided over by Prime Minister Nawaz Sharif on Wednesday was informed that the GDP growth rate is projected at 5 per cent in the current fiscal year against the target of 5.5 per cent primarily due to severe setbacks to the cotton crop.

Finance Minister Ishaq Dar said the government is concentrating on major policy initiatives that are aimed at consolidating economic gains achieved so far and spurring inclusive and sustainable growth, creation of job opportunities and a reduction in poverty. The meeting was informed that fiscal deficit has been on target for closing at 4.3 per cent and current account deficit has been reduced from US $1.9 billion in Jul-Mar 2014-15 to US $1.6 billion in the same period of 2015-16.

The Finance Minister said tax collection by Federal Board of Revenue (FBR) has increased by 19 percent during the nine months with a tax collection of Rs 2103 billion. He said that there has been a considerable increase in the number of taxpayers in the last three years.

He said that in the medium-term the government's plan is to gradually raise GDP rate to around 7 percent and contain inflation to single digit, ie, less than 6 percent. He said they intend to bring down fiscal deficit to below 4 percent in the next financial year. Dar said this will be the fourth budget of the present government and every year the government pushes forward its reform agenda with prudent fiscal policies that will usher an era of development and prosperity for the people of Pakistan in coming years.

The meeting chaired by the Prime Minister condemned the baseless allegations against Prime Minister Nawaz Sharif levelled by International Consortium for Investigative Journalists (ICIJ); which they themselves now acknowledged as a journalistic mistake. The meeting demanded that the ICIJ should determine the identity of those responsible for the mistake and proceed for immediate action against them.

He stated the current trend of GDP growth would continue to increase employment opportunities for the youth. He noted that with the CPEC projects commissioning in the next few years, there will be huge opportunities for the whole region to benefit.

The Federal Cabinet reposed its full confidence on the leadership of the Prime Minister and appreciated his decision to present him and his family for accountability before the Supreme Court of Pakistan. The Federal Cabinet further expressed its resolve that “opportunists” will not be allowed to sabotage the stride of Pakistan towards development and prosperity.

Nawaz Sharif stated that government’s economic policies should be welfare oriented, ensuring the benefits of economic progress and be delivered to the common people. He appreciated the fact that the overall economic progress achieved during the last three years of the present government had set the stage for further progress and development of the country.

He noted that the key economic indicators, which were at rock bottom three years ago, have improved remarkably and the situation would lead to allocating more resources to the welfare of the poor and promoting the development agenda of the government.

The Prime Minister expressed satisfaction over the strategy for increasing revenue collection and underscored the need for further strengthening the taxation system by widening the tax net. He further said the government has made efforts towards lowering the fiscal deficit to a reasonable level by inducting financial discipline in the public sector.

Nawaz appreciated the contribution being made by expatriate Pakistanis through their remittances to Pakistan. He directed that steps should be taken to facilitate overseas Pakistanis to send remittances through banking channels. He directed Ministry of Commerce to gear up efforts towards increasing exports.

The Cabinet meeting stated that benefits of mega projects in the pipeline will start unfolding from the next year; immediate measures are needed to encourage investment by the private sector. He said the Chinese Council has already approved US $4.5 billion for projects of Sukkur-Multan and Havelian-Thakot motorways.

He said from 1999-2013, successive governments have failed to invest in energy sector and incumbent government has initiated a number of energy projects for power generation. The US $34 billion of energy projects under the CPEC are investments and not loans, he added. He said the government will successfully overcome the gas shortage within the tenure of the present government.

The Prime Minister further said that all the international financial institutions have acknowledged the economic turnaround of Pakistan. He mentioned that efforts are being made by a few political opponents to undermine the country’s economic take-off, but the people of Pakistan will not allow them to succeed. The issues of agriculture and manufacturing sectors to boost growth must be addressed, he emphasised.

The Prime Minister appreciated the performance of the Finance Minister and his team on achieving the goal of economic stability in the country and carrying forward the development agenda. He said that efforts have been made for keeping the inflation rate under control and observed that the average inflation during past three years remained the lowest. He expressed satisfaction that the expected large scale manufacturing at a growth rate of 4.35% will be the highest in the last eight years.

http://www.brecorder.com/top-stories/0/41314/

PAKISTAN AMONG EIGHT FAST GROWING WORLD ECONOMIES, SAYS AHSAN
Dawn, April 29th, 2016

ISLAMABAD: Pakistan is among the eight fast growing economies of the world due to structural reforms introduced by the incumbent government, federal Minister for Planning, Development and Reforms Ahsan Iqbal said on Thursday.

Addressing the China-Pakistan Economic Corridor (CPEC) Investment Conference in Beijing, he said that Pakistani nation was united on the agenda of economic development and there was no threat of political instability in the country.

He termed the CPEC a historic opportunity and said it would cast a far-reaching impact on Pakistan's economy. It offers equal opportunities of economic uplift to all provinces and regions of the country.

Under the CPEC, energy sector had been prioritised in the first phase, Mr Iqbal said, adding that the economic corridor would help build modern transport infrastructure in the country and make Pakistani economy competitive in the international market.

The minister said that Pakistan offered attractive opportunities to Chinese investors in minerals, agriculture, infrastructure, technology and industrial sectors.

Chinese technology and experiences in industrial sector coupled with Pakistan's location and low cost of production could revolutionise the industrial sector of the country.

After $46 billion CPEC investment, he said, China topped the countries which had invested in Pakistani in two years.

He said that mineral-rich provinces of Khyber Pakhtunkhwa and Balochistan were attractive destinations for Chinese investors.

Meanwhile, Mr Iqbal and Balochistan Chief Minister Sanaullah Khan Zehri witnessed the signing of an MoU of collaboration between the Pak-China Investment Company, Frontier Works Organisation and China International Contractors Association during a seminar. The seminar was attended by around 200 representatives of top Chinese and Pakistani companies.

http://www.dawn.com/news/1255162

WORLD BANK APPRECIATES EFFORTS, WITH WORDS OF CAUTION
The Express Tribune, April 29th, 2016.

The World Bank has applauded the government for restoring economic stability, according to its twice-a-year Pakistan Development Update released on Thursday.

However, it noted that much of the country's economic growth was underpinned by external influences, such as low oil prices and strong remittances, while private and public investments continue to remain low.

"Pakistan has made great progress in restoring macroeconomic stability, but much more needs to be done to put Pakistan on a solid, economic growth footing," said Illango Patchamuthu, World Bank Country Director for Pakistan. "Persistent, steady progress on the structural reform agenda will be necessary if Pakistan is to accelerate its growth recovery and lift millions more out of poverty."

The latest Pakistan Development Update sets out recent developments across the economy and identifies risks and next steps facing Pakistan's near-term future before focusing in on a handful of key development challenges.

The report highlights that the pace of Pakistan's economic growth will accelerate modestly through to 2019. However, significant risks remain and the country should guard against global slowdown by continuing to make key reforms, including expanding electricity supply, boosting tax revenues, strengthening the business environment and encouraging the private sector to invest.

The report identifies services and large-scale manufacturing as the key supply-side drivers of growth. Services are expected to grow over 5% in 2015-16 while large-scale manufacturing, benefitting from low global commodity prices, is expected to grow between 4-4.5%. On the demand side, consumption is driving growth, fuelled by rising remittances and a loose monetary stance, the World Bank said.

The report is optimistic about recent progress in fiscal consolidation, highlighting 20% growth in the revenues of the Federal Board of Revenue (FBR) for the first eight months of 2015-16. "Fiscal consolidation is one of the most significant reform challenges facing Pakistan today," said Enrique Blanco Armas, World Bank Lead Economist for Pakistan. "The federal government has kept a tight rein on recurrent expenditure, while continuing to invest in Public Sector Development Program expenditure, a very positive development."

Workers' remittances and lower oil prices contributed most to the accumulation in foreign reserves, according to the report. Remittances of $9.7 billion in the first half of 2015-16 more than compensated for the trade deficit, and oil prices delivered a 9.1% fall in the import bill, it said.

The strong balance of payments headline figures, however, mask the structural weaknesses in Pakistan's export competitiveness, the report noted. Exports fell by 11.1% in the first half of 2015-16 as a result of softer global demand and domestic bottlenecks. Port charges in Karachi, for example, are nine times higher than those in Dubai and Singapore, it noted.

Shipping container dwelling times are three times longer than in East Asia, it added. Exporters who want to participate in global supply chains are hamstrung by these constraints, the World Bank said.

http://tribune.com.pk/story/1093830/pakistan-development-update-world-bank-appreciates-efforts-with-words-of-caution/

THE STATE OF THE ECONOMY
The Express Tribune, May 1st, 2016.

When foreign lending agencies review Pakistan's economy, the comments they make are usually taken as either black or white — depending on who is reading those remarks. Supporters of the government will highlight the progress Pakistan has made, while the opposition would single out the vulnerabilities.

More often than not, both groups are right. Moody's Investors Service recently stated that while Pakistan's economy has picked up pace — mentioning the CPEC as a good omen — a third of the public debt is still in foreign currency, leaving the country vulnerable to external risks. It also mentioned Pakistan's institutional and fiscal strength as being "very low", while susceptibility to event risk as "high". These are hardly passing grades if we are to look at the overall economic position.

We also recently saw the World Bank applauding the government's efforts, but it added that many of the economic gains were due to external factors. As a net oil importer, falling oil prices have aided our balance of payments' position, taking down the cost of producing power and giving room to the government to cut back on subsidies. These are all crucial factors for a government plagued with the ills of circular debt and a power crisis. The IMF, too, has now stated that Pakistan had repaired its economy and was ready for fiscal independence.

But in another report, the Mission Chief for Pakistan also said that economic growth was still insufficient to cater to job demand and exports far too low for the size of the economy.

There is no doubt that Pakistan's situation — both in terms of foreign currency reserves, economic growth and balance of payments' position — has improved in the last three years. Some of it has come from well-directed measures, while much of the progress has come from remittances and falling oil prices.

Increasing tax rates on the sale of fuel has also helped mitigate the shortfall in revenue that falling crude oil prices tend to cause in oil-importing countries. All these recent statements from international financial institutions tend to look at the picture in a broad manner with their tone being one that gives a general overview of the economic situation, ignoring the specific issues Pakistan continues to face.

The short- and medium-term issues may have been dealt with, but structural issues — in governance and policy — continue to be a problem. The bottlenecks in doing business and poor infrastructure continue to be ignored. Punjab is the only province that attracts new investment consistently while other provinces wait for miracles.

One feels that the progress that has been made is not sustainable if a turnaround isn't achieved by making strategically long-term moves. In Pakistan's case, widening the tax net, finding new export markets and products, and easing the red tape that discourages a business' entry in the formal sector are crucial specifics. Pakistan's policies are such that it is much easier for companies to exist in the informal sector than in the formal one and this is a huge issue.

When it comes to taxes, a tedious process that leaves many far more confused than they were before they decided to pay them is a problem in increasing collection. In response, the government's strategy has been to increase taxes for those already in the tax net, rather than widening the net.

Loss-making state-owned entities continue to ride on bailouts and powerful lobbies continue to get undue favours. The agriculture sector is depressed and primitive methods of farming have not helped either.

The government's response to counter these issues is to rely on bailouts, which is good for securing votes, but not enough to secure a sustainable future for the economy. Pakistan has been helped by the IMF's bailout programme that will end in September.

Without that, the country's economic situation might just become slightly more precarious.

Oil prices have already increased around 55 per cent this year and long-term policies that aid growth are a need of the hour.

http://tribune.com.pk/story/1094763/the-state-of-the-economy/

NEWS COVERAGE PERIOD FROM APRIL 18th TO APRIL 24th 2016
IMF CHIEF BRIEFED ABOUT MACROECONOMIC INDICATORS
Business Recorder, April 19, 2016

International Monetary Fund (IMF) Managing Director Ms Christine Legarde has appreciated the commitment of government to economic reforms which put Pakistan on path of growth. In a meeting with a Pakistani delegation headed by Finance Secretary Waqar Masood Khan here, the IMF chief congratulated Pakistan on continuing with reform process which required politically tough decisions.

She observed that it was primarily due to the government's commitment to reforms agenda that today Pakistan was ready to increase its growth at par with other countries in the region. The IMF chief particularly commended strong leadership of Finance Minister Senator Ishaq Dar in achieving this outstanding performance. She expressed the hope that Pakistan would keep pursuing sound economic policies to ensure continued stability and growth.

Earlier, Dr Masood apprised the IMF chief about the latest macroeconomic indicators and stated that Pakistan was close to completing the IMF programme and only two reviews were to be completed. He said the government had met all the performance criteria for next review. This was the first time that Pakistan was going to complete an IMF programme spread over three years, he added.

The Finance Secretary said over the last three years headwinds country faced at the beginning of the programme had largely receded. Today Pakistan's economy was poised to achieve a high trajectory of growth as reflected by major indicators like low inflation, high level of reserves, low policy rate, steadily increasing remittances, revival of large scale manufacturing and increased private sector lending, he added.

http://www.brecorder.com/pakistan/industries-a-sectors/money-a-banking/198:pakistan/37650:imf-chief-briefed-about-macroeconomic-indicators/?date=2016-04-19

WB PREPARES $500M BUDGET SUPPORT PLAN
Dawn, April 24th, 2016

AMIN AHMED

ISLAMABAD: The World Bank is currently preparing a new budget support operation for Pakistan worth $500 million to deepen and strengthen the bank's engagement in a number of reform areas as well as to support several new areas, official sources said.

The new operation, 'Pakistan Equitable Growth development Policy Credit' will support the government efforts to enhance private sector competitiveness through an improved business environment and improve fiscal management to maintain macroeconomic stability and create the necessary fiscal space.

The proposed programme builds on the success of the previous Fiscally Sustainable and Inclusive Growth (FSIG) series and the ongoing IMF programme, continuing with the implementation of unfinished reform efforts, deepens reforms where progress has been uneven, and brings in new crucial reform.

The government's privatisation programme, a critical pillar in the government's economic reform agenda, is facing significant headwinds. The bank will continue to provide support to the government in support of the reform agenda.

The proposed loan likely to be approved by the World Bank Executive Board in June, is a single-tranche stand-alone operation with two broad development objectives: attracting private sector investment through an improved business environment; and improving fiscal management to maintain macroeconomic stability and create the necessary fiscal space.

The strategy will contribute to the government's strategy to accelerate economic growth, ensure fiscal consolidation, increase investment, and enhance the openness of the economy to the domestic and external competition.

A World Bank report says that the previous FSIG as well as the proposed development policy credit are supporting the government's economic reforms programme.

Over the past few years Pakistan has been successfully implementing its economic reform programme, with macroeconomic stability large restored and a mild growth acceleration. The government's stabilisation programme has been aided by declining oil prices, which came as a windfall for a net oil-importing country like Pakistan.

The report says that operations under the new programme will support higher and inclusive growth through several channels. First by supporting measures to enhance the investment climate and develop capital markets, the operation aims to contribute to the creation of more and better jobs.

Second, state-owned enterprises reform and privatisation will improve services delivery and limit the claims of loss-making state enterprises on the budget.

Third, improved fiscal management that results in increased fiscal space will allow the authorities to allocate additional resources to public investment, while reducing financing from the commercial banking sector and private sector crowding out.

Fourth, measures to improve poverty measurement and the targeting of social safety net interventions will enhance the effectiveness of pro-poor policies.

The operation will support reforms in a number of areas. The actions represent significant continuity with the previous FSIG series, completing some of the longer term reforms initiated three years ago, deepening reforms in areas where results have been more uneven and incorporating some new crucial reforms areas.

The policy actions are structured around two development objectives and reform pillars: attracting private sector investment; and improving fiscal management.

Under the first pillar of attracting private sector investment, the operation will support reforms to improve the business environment in the area of getting credit and paying taxes, improve governance and transparency of capital markets, improve financial inclusion and support efforts in the privatisation agenda, particularly in the insurance sector, and to improve transparency of federal state owned enterprises.

Under the second pillar of improved fiscal management, the operation will support reforms to broaden the tax base, by eliminating tax exemptions and enhancing audit policy and capacity, improving debt management coordination, strengthening

targeting of safety net programs as well as improving poverty measurement and the publication of poverty data.

The report feared that political risks to the operation are high, stemming from both the broader political and security situation in Pakistan which may distract policy makers, as well as from political resistance to the reform program itself. Macroeconomic risks are substantial, stemming from the possibility of domestic and external shocks.

The depth of the reforms being supported requires several mitigation measures in favour of sustainability of reforms to address substantial risks regarding institutional capacity and stakeholders and high risks of judicial intervention.

Mitigation measures including setting the reform pace in line with perceived potential political-economy constraints, continuation of the recent prudent macroeconomic policy mix.

The World Bank and the IMF will continue to work in tandem and closely coordinated. Institutional and coordination risks are mitigated through the use of the permanent economic reform unit as the coordinating body at the finance ministry and regular meetings chaired by finance minister to assess progress in the reform programme and the provision of technical assistance required to advancing reforms.

Judicial challenges can be mitigated by strengthening the legal basis of the reforms being supported.
http://www.dawn.com/news/1254024/wb-prepares-500m-budget-support-plan

NEWS COVERAGE PERIOD FROM APRIL 11th TO APRIL 17th 2016
CONSENSUS ON AN ECONOMIC AGENDA
Dawn, April 11th, 2016

AFTER Finance Minister Ishaq Dar’s musing on a so-called charter of the economy, the IMF has added its voice for the creation of a national consensus on a ‘core economic agenda’.

In the IMF’s reckoning, the core agenda should cover four areas: tax revenues, with an emphasis on a wider and fairer system; revamping public-sector enterprises; energy reforms; and improving the national business climate.

Unsurprisingly, the IMF's formulation hews closely to the agenda it tried to implement via the three-year fund programme that will come to an end this year — a programme that has achieved very little beyond the macro stabilisation that has been embraced by the PML-N government.
Yet, simply because it is IMF advocacy does not make the prescription wrong. Mr Dar, too, was right when he suggested a charter of the economy — though drafting a meaningful charter would be extremely complicated given that economic policies cannot and should not be static.

Perhaps what the federal government could do, however, is begin to create the conditions that make taking up an economic charter easier in the years ahead.

At the moment, economic policy is too closely controlled by Mr Dar himself — even inside the PML-N. As de facto prime minister, Mr Dar has a veto over virtually all major economic decisions.

If that changes — if policies advocated by other ministries are allowed to be debated and their implementation not made conditional on Mr Dar's approval — it would contribute to the creation of a climate where the contours of overall policy can be shaped by policy experts and not be subject to the whims of one individual.That inclusive process could be extended to other major economic exercises, particularly the federal budget and longer-term frameworks within which the budgets are set.

Once again, the process is so tightly controlled by the finance ministry that parliament is often asked to sign off on numbers it has little understanding of. If parliament — meaning not just the elected government of the day, but opposition parties too — is made part of the decision-making process, trust can be built.

The tax system illustrates the problem well. In principle, the tax system is unfair and it needs to be restructured in favour of having a greater proportion of direct taxes. But while most political parties would agree that tax revenues need to be boosted, none have felt the need to embrace specific policy positions backed up reliable numbers.

That leaves the details of tax reforms, the few that are attempted, to be worked out between the government of the day and (usually) the IMF. Drawing parliament into the budget process could help change that. What are the numbers and what are the options?
Ministerial transparency and openness with parliament could help encourage parliamentarians to think about economic policy as more than mere politics and put forward more responsible suggestions. The road will be a long one, but political trust is built slowly.
An economic charter will only be as useful as the political willingness to abide by it. As the charter of democracy has shown, repeated mistakes can lead to a willingness to change.
http://www.dawn.com/news/1251260

KNOWLEDGE ECONOMY: GOVERNMENT EMBARKS UPON PLAN TO LAY STRONG FOUNDATIONS: AHSAN
Business Recorder, April 15, 2016

Federal Minister for Planning, Development & Reform Professor Ahsan Iqbal said, "Pakistan is embarked upon an ambitious plan to lay strong foundations for building knowledge economy in the country to catch up with the fast changing trends of our age. We have to become beneficiary of 21st century in terms of reaping the dividends of knowledge economy through proactive action rather to fall victim to new challenges.

Pakistan is blessed with huge youth population and this can be used as a demographic dividend for sustainable development and knowledge economy. The youth population will play an instrumental role to take the country into top ten economies of the world by 2047 when country will be celebrating hundred years of its independence."

The minister made these remarks while speaking at convocation 2016 of Pakistan Institute of Engineering & Applied Sciences (PIEAS) Islamabad. Ahsan Iqbal spoke at length about development journey of human civilisation over the centuries and deplored that Muslims, who once led the world by excelling in science and research have plunged in ignorance by shunning inquiry based learning models.

Ahsan Iqbal said that following the years of sluggish economic performance, Pakistan has turned the tide during present regime by recovering strongly to reach the point of economic take off. “Whole world is recognising the improving economic indicators of the country by declaring it as safe heaven for billions of dollars Chinese investment,” he added.
The minister described political stability and social solidarity panacea to keep the momentum of growth and said that this makes a country attractive destination for foreign investment. He pointed out that discontinuation of policies in the past played havoc with national development and cited the examples of Karachi-Peshawar Motorway, which would have been completed in 2000 if the work on it would not stop by past regimes other than PML-N.

The minister declared that with commissioning of CPEC Bin Qasim Power Plant, Sahiwal Power Plant, Thar and LNG based power plants, 10,000 MW of energy would be added in national grid by 2018. He commended the work of Pakistani engineers working with Chinese counterparts to make the county self-reliant in energy and called upon the engineers fraternity to utilise their expertise and talent for development and betterment of the country.

He said that engineers played an important role in making Pakistan’s security impregnable and now we must develop commercial applications of technological competencies for creating an economic impact. Successful economies develop strong academia-research link. The minister particularly emphasised the need to project the soft image of the country in the world and by shunning cynicism and half glass empty mentality, which always portray a negative image of the country.

“We must believe in ourselves and we can solve every crisis through unity and out genius, as our forefathers did after creation of this country”, he impressed upon the graduating students of PIEAS and said that Pakistan needs hope and positivity to excel every spheres of the life.

Ahsan Iqbal said that present government chalked out Vision 2025 to put the country into top twenty five economies of the world by 2025. This is a vision for my generation to make last 800 meters sprint. “But the generation graduating from universities and colleges has more ambitious target of pushing the country into top ten economies of the world at the hundred years’ independence of the country by 2047 when it will be at peak of its career,” he emphasised.

Ahsan Iqbal said that technology has a key role in the lives of people and nations in new age and is reshaping the dimensions ranging from security, economy, society to collective and individual lives of people. Pakistan needs to catch up with the pace of fast developing technology for development and prosperity.
He commended the high standards of engineering and science education at PIEAS to produce capable scientists and engineers to serve the nation. He assured management of PIEAS his full cooperation to set-up Centre of Excellence for Applied Mathematics, which is need of the hour and presently missing in the institute, to make it world class STEM subjects institution.-PR

http://www.brecorder.com/general-news/172/35778/

KHYBER PAKHTUNKHWA’S NEXT BUDGET FACING RS50BN CUT
Dawn, April 16th, 2016

PESHAWAR: There is a high likelihood of the Khyber Pakhtunkhwa government significantly slashing its budgetary allocations for the next fiscal by Rs50 billion due to the ongoing financial crunch.

The Budget Strategy Paper-1 made by the finance department for financial year 2016-17, a copy of which is available with Dawn, says the total size of the next year’s budget is likely to be 10 percent less than this year’s.

The BSP-1 was presented before the provincial cabinet in a meeting on March 28.

The document also notes that the fiscal space for development activities in the province is expected to remain under stress but there is a hope that development partners of the provincial government will continue maintaining their commitments to local socio-economic development.

The relevant officials say the overestimation of tax and other revenue sources, which has led to the financial crunch in the ongoing year, has forced the finance department to cut the size of the budget and remain cautious about future revenue projections.

According to the document, the province has managed to get its net hydel profit proceeds uncapped by the centre from Rs6 billion to Rs18.75 billion.

However, as the uncapped amount has yet to be paid to the province, the finance department has excluded the NHP from its budgetary projections to present the true picture of the province's financial health.

Under the current and foreseeable circumstances, significant downward revisions in the province's tax and non-tax revenue are necessary.

The provincial tax and non-tax revenues greatly depend on the concerted efforts of the provincial revenue management organisations.

The BSP-1 says the law and order situation and persistency of stagnation in the provincial economy will continue to challenge the effective role of the provincial government in enhancing own revenues.

According to it, the two major sources, which have caused significant increase in the budgetary estimates for non-tax revenues i.e. revenues from housing and forest sectors in ongoing fiscal year, haven't been pulled in.

The BSP-1 puts the total outlay of the next budget at Rs437.65 billion, which is Rs50 billion less than the ongoing year's.

Though it shows an increase in the federal transfers from Rs300 billion to Rs344 billion in the next fiscal, the finance department has slashed the province's own tax and non-tax receipts for 2016-17 by Rs20 billion.

The provincial government has estimated to collect Rs54.425 billion worth of tax and non-tax revenue in the current fiscal year. However, the figure projected for 2016-17 has been cut to Rs34.807 billion.

The projected tax revenue has been slashed from Rs22 billion to Rs21 billion and non-tax receipts from Rs31 billion to Rs12 billion.

The document notes due to the rigidity of current expenditure, the brunt of any financial squeeze is borne by the development outlay.

"The outlay of the next and current fiscal's budget is Rs437.65 billion and Rs333 billion respectively. All this leaves a fiscal space of Rs105 billion for development expenditure for the next fiscal year," it said.

According to the BSP-1, the total outlay of development budget for the ongoing financial year stands at Rs175 billion, of which Rs112 billion is for the provincial Annual Development Programme (ADP) and Rs30 billion for district ADP. Its Rs33 billion component is the foreign project assistance.

The projected estimates for 2016-17 have put the provincial ADP at Rs48 billion and district ADP at Rs21 billion, while the foreign project assistance is estimated to be Rs36 billion, an increase of Rs3 billion compared to the ongoing fiscal.

The document notes that the figures showed in it are indicative only and that they may be adjusted if and when circumstances change during the budget preparation.

“The macroeconomic and fiscal forecasts will be updated closer to May and June 2016 via BSP-II to reflect any changes in the economic and financial conditions,” it adds.

http://www.dawn.com/news/1252422

NEWS COVERAGE PERIOD FROM APRIL 4th TO APRIL 10th 2016
IMF WANTS PAKISTAN TO CURTAIL DEVELOPMENT SPENDING BY RS360BN
Dawn, April 4th, 2016

ISLAMABAD: The International Monetary Fund expects Pakistan to curtail its overall development budget by Rs360 billion (almost 24pc) of allocations to limit the fiscal deficit.

According to documents released over the weekend after approval of Pakistan’s 10th quarterly review by its executive board, the IMF expected the government to limit its overall development programme to Rs1.155 trillion, down 24pc, against Rs1.513trn allocation approved by parliament and the four provinces.

The latest IMF estimates are based on discussions between its officials and Finance Minister Ishaq Dar in the first week of last month in Dubai. The estimates are in line with disbursements reported to have been made by the Planning Commission.

According to the commission, total disbursements for the public sector development programme (PSDP), as of March 25, stood at Rs387.5bn (55.35pc) against the allocation of Rs700bn for the entire year. Based on the government’s schedule, the total disbursements should reach 70pc of the target in the first nine months of the fiscal year.

The IMF wants the federal government to keep the PSDP expenditure at Rs620bn, down 12pc, of the Rs700bn authorised by parliament. On the other hand, the cumulative annual development plans of the four provinces would be reduced to Rs535bn, down about 35pc from Rs813bn announced by the provincial assemblies.

Under the IMF programme, the government has to keep the fiscal deficit at 4.3pc of GDP, including 0.3pc expenses for military operations against terrorists in the tribal region and resettlement of temporarily displaced persons.

The Planning Commission’s data put disbursements made to federal ministries at Rs109bn in the first nine months of the current fiscal year, compared to Rs147bn during the same period last year, down by almost 26pc.

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 of its determination of keeping 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 the government.

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.

http://www.dawn.com/news/1249886/imf-wants-pakistan-to-curtail-development-spending-by-rs360bn

PROPOSAL TO SET UP THREE ECONOMIC ZONES IN PUNJAB APPROVED
Business Recorder April 4, 2016

Punjab Chief Minister Muhammad Shahbaz Sharif presided over a meeting of Special Economic Zone Authority (SEZA), here on Sunday in which approval was given to the proposal of giving a status of special economic zones to three industrial estates of Punjab including Quaid-e-Azam Apparel Park, M3 Industrial City and Value Addition City.

Addressing the meeting, the Chief Minister said that industrial activities and investment would increase in the province with the setting up of special economic zones. He said that facilities are being provided to industrialists and investors on priority basis.

He said that promotion of industrial activities and investment would result in generation of new job opportunities. Shahbaz said that Punjab government has taken effective steps for promotion of investment in the province and enhancing industrial activities is included in its priorities.

He said that Punjab Investment Board has to work more actively for promoting industrial activities and investment. Chief Executive Officer Punjab Investment Board gave a briefing regarding matters of Special Economic Zone Authority. Provincial Minister for Industries Muhammad Shafiq, Chairman Punjab Investment Board, concerned secretaries and industrialists were present on the occasion.

http://www.brecorder.com/business-and-economy/189:pakistan/32289:proposal-to-set-up-three-economic-zones-in-punjab-approved/?date=2016-04-04

IMF OFFICIAL MAKES STRONG PITCH FOR NATIONAL CONSENSUS
The Express Tribune, April 9th, 2016.

Shahbaz Rana

ISLAMABAD: Pakistan needs national consensus on core economic issues as the country could not make much progress on privatisation and energy and tax reforms due to differences between political parties, according to a senior International Monetary Fund (IMF) official.

“Many of the issues that Pakistan faces can be tackled more effectively, if it has a national consensus on the core economic agenda,” IMF Director for Central Asia and Middle East Masood Ahmad, who is currently visiting Pakistan, told media persons on Friday.

He also said that Pakistan can survive without IMF financial support as long as it follows prudent economic policies. His comments came a day after Finance Minister Ishaq Dar said Islamabad no longer required IMF assistance due to improved economic conditions.

While speaking about progress on outstanding structural issues, Ahmad said Pakistan does not have the kind of political consensus on core economic issues that it enjoys on other critical issues that are important to any country. “Having that kind of national consensus will make sure that these issues are not politicised but are tackled on merit,” he said.

The government faced stiff opposition to its privatisation and energy reforms agenda, not only from the other parties but also from within the federal cabinet. Water and Power Minister Khawaja Asif, who should be torchbearer of energy sector privatisation, was the main opponent to the sector’s privatisation, according to finance ministry sources.

Finance Minister Dar is a proponent of striking a charter of economy but he could not convince other political parties.

Ahmad said that there was consensus on reducing budget deficit and increasing foreign currency reserves. But when it comes to issues of taxation, privatisation and restructuring it becomes difficult. IMF acknowledges progress on energy sector and taxation reforms but the results were below the goals. Ahmad stressed that Pakistan needs to do more on privatisation, energy, taxation and improving business climate.

Significant progress has been made on structural issues but this work needs to continue beyond the IMF programme period. Broadening the tax base, addressing losses in public sector enterprises, completing reforms in the energy sector and improving the business climate to improve growth trajectory and generate export surplus are critical.

Even though energy sector reforms were among the key priorities of $6.2 billion IMF programme, the government could not fully address the issue of circular debt during past two and half years. The stock of the circular debt stood at Rs335 billion in addition to Rs326 billion current payables.

Ahmad said that IMF will continue to be involved in providing technical and policy advice even after expiry of the current programme. If Pakistan follows the prudent set of policies in coming years and continue to benefit from IMF advice, it would not need the IMF financial support, said the director.

However, political and economic pundits predict the government may start implementing loose fiscal and monetary policies ahead of 2018 general elections.

Ahmad said that during the programme implementation period, Pakistan’s economy has made substantial progress in addressing the risks it faced and today economy is stabilised.

While speaking about the exchange rate and its implications on exports, Ahmad said that exchange rate was not the only factor affecting the exports. He, however, said that recent appreciation of the local currency against the US dollar did affect the exports competitiveness.

http://tribune.com.pk/story/1081498/core-economic-agenda-imf-official-makes-strong-pitch-for-national-consensus/

May 2016

NEWS COVERAGE PERIOD FROM MAY 23rd TO MAY 29th 2016

PAKISTAN’S ECONOMIC OUTLOOK AT SIX-YEAR HIGH

The Express Tribune, May 23rd, 2016.

KARACHI: Is this the best time to expand your business in Pakistan?A latest survey conducted across the country at least says so.

According to the survey, the results of which have been released recently, the economic outlook in Pakistan is at a six-year high now and is continuously improving.

The survey titled the Business Confidence Index is a biannual assessment sponsored by the OICCI – an association that represents 196 multinationals operating in Pakistan – since 2010.

It says, “the business confidence in the country has improved to a positive 36% in the last six months (October 2015 to March 2016), up 14 percentage points compared to 22% in previous six months (April to September 2015).”

The survey results also show that the confidence level of foreign companies operating in the country was also at a positive 55%, a record high for the last six years.So what has changed in Pakistan in the last six months that has improved the business confidence?

“Relative political stability, improving security situation, low inflation due to record low international oil prices and 42-year low interest rates are some of the factors that have created an atmosphere in the country in which investors are looking for investment opportunities,” says the survey.

“There has been a significant change in the business confidence in the last two years. After remaining literally stagnant for one and a half years (July 2013 to September 2014) at 1%, economic outlook has gradually improved to 36% in the last three half-yearly surveys.”
Despite all these feel-good factors and improving macroeconomic indicators, Pakistan’s economy has yet to take off and it is not difficult to point out the factors that are pulling it back. Though security challenges have relatively waned, energy crisis is still strangling exports and causing a loss of at least one percentage point to the GDP annually.

Owing to weak domestic policies and slow world economic growth, Pakistan is not getting enough foreign direct investment (FDI).

The government is also facing stiff challenges to increasing tax revenues by eliminating structural flaws in the tax system. Just when the economic growth should be touching 6 to 7% to provide jobs to the growing workforce, the government is failing to take it to even 5%.

When the PML-N government came to power in mid-2013, there was much enthusiasm and confidence in the business community that was also reflected in the OICCI business survey of July 2014.

However, the confidence dropped significantly when opposition parties went for a sit-in in Islamabad that lasted four months and ended in December 2014.

Nobody knew the result of that political upheaval as people thought the government would eventually fall. It, however, sustained the onslaught but came out too weak to take prudent decisions to end perpetual anomalies in tax and other systems.

The current situation is not very different as the government is facing challenges in the wake of Panama leaks. The political point-scoring and differences in points of view of the government and opposition parties can never go down well among those who are carefully monitoring the situation, be it political or purely economic.

Companies, especially foreign ones, have little interest in the government. What they actually care about is political certainty and economic policies so that they can better plan their investments and profit margins.

Moreover, the already existing uncertainty among businesses could potentially affect new investments in the country. Regardless of what the situation turns out to be, it has all the heat to burn down the current enthusiasm of entrepreneurs, local and international.
If better sense does not prevail, it is ultimately Pakistan that will suffer.
http://tribune.com.pk/story/1108192/business-survey-pakistans-economic-outlook-six-year-high/

MISSING KEY ECONOMIC TARGETS
The Express Tribune, May 25th, 2016.
Pakistan has expectedly missed its GDP growth rate target in the outgoing fiscal year as depressed prices of commodities along with lack of innovation take their toll on the agriculture sector. Expansion and growth in the industrial and services sectors were not enough to carry the day and coupled with lack of spending and high tax rates, the economy was never going to meet what was termed an ambitious target of 5.5 per cent growth.

The achieved rate of 4.7 per cent is also under a shadow of doubt as economists argue that such growth is not possible given the contraction in the agriculture sector and its total share in GDP. One thing is certain: Pakistan has not been able to take advantage of the several external factors that could have aided its growth this fiscal year.

Amid the depressed prices of commodities and the plight of farmers in the country, which was made worse by floods and natural disasters, the agriculture sector has been ignored. The Rs341 billion Kisan package has yet to show any results and is a product of misdirected aims that serve a political agenda more than they do an economic one.

Cotton production continues to fall and imports have become a necessity. High tariff rates and duties have taken a toll on the cost of doing business — through higher input costs — and high internal tax rates have shaved off a significant portion of business earnings. In such a scenario, where the government cuts back on its spending as well, achieving a 5.5 per cent growth target was always an improbable task.

In its first three budgets, the PML-N has resorted to strategies that have increased tax collection in almost all sectors of the economy. The savings that businesses may have made through falling oil prices have been offset by higher tax rates, meaning that an expansion was never really on the cards since market talk suggests the crude oil supply glut would end.

The one thing Pakistan has achieved — and well — is that it has used its savings in countering security challenges. The imposition of the 'super tax' and higher revenue has aided it in spending the money on fighting security threats — a much-needed development since that was the biggest hurdle to the economy's progress towards growth.

The power crisis — the second biggest hindrance — has been tackled to an extent, but we have still not seen an appreciable difference in this regard. How does the government expect to meet its growth target when the cost of doing business and the power crisis still remain challenges? High tax rates have, instead, encouraged the informal economy and helped the flourishing businesses of smugglers.

The segments of the formal economy that have performed have been taxed heavily. On the other hand, development seems to be restricted to one province and even there projects have not really aided job growth. State-owned enterprises continue to bleed and get bailouts, while profitable businesses have been forced to contribute more in tax revenue.

Distinction between filers and non-filers of tax returns has been made clearer, but that hasn't really helped in the number of filers going up.

Economic policies are political — to argue otherwise is either naive or indicates a lack of understanding of the game. Yes, it is a game. The PML-N's strategy has, so far, been pretty clear — falling oil prices will take care of the macroeconomic indicators, while the government cuts back on spending wherever it can since there is a budget deficit.

This is how the PML-N's economic managers have played the game. But this is not how you spur an economy into action that is still reeling from low confidence, red tape, corruption and is up against a government whose policies are inconsistent. Businesses operate successfully when they are incentivised. In the last three years that hasn't really happened. Metro buses, taxi schemes and flyovers look good, but they do not necessarily generate jobs and invite investment that spurs growth. But these may win votes. And that explains the aim of the government's economic strategy of the past three years.

http://tribune.com.pk/story/1109501/missing-key-economic-targets/

PRE-BUDGET EXERCISE

Business Recorder, May 26, 2016

A usual the pre-budget exercise currently under way is to increase tax revenue to enable the government to not only meet its growing expenditure liabilities comprising mainly of rising costs associated with debt servicing, defence and general public current expenditure as well as development outlay. It is unfortunate though that the focus of the incumbent government, like its predecessors, remains on raising existing taxes which implies that a select group would be further burdened.

Those who may argue that the government will not take such inappropriate fiscal measures must not be aware that the government has taken three measures in just three years that have acted as a stopper to domestic economic activity. First and foremost, the Finance Ministry has allowed the sales tax refunds to accumulate with the objective of showing revenue that is higher than is in fact the case thereby generating a severe liquidity crisis within several companies that, in turn, accounts for declining exports.

Second, the heavy reliance on withholding taxes, projected to rise to 75 percent of total direct taxes in 2016-17, is being levied not on sources of income that should include rent or dividend income, but on consumer items as well as services that are passed onto the consumers/clients fuelling inflation as well as eroding the value of each rupee earned.

And finally, multiple taxes on several commodities may well reduce the overall revenue collected as the general public begins to adjust to the erosion of income earned. There appear to be no reforms under way focused on ending these blatant tax anomalies and the Ministry of Finance remains concentrated on raising revenue.

It is relevant to note that Ishaq Dar has frequently boasted that tax revenue has increased by 20 percent in the current fiscal year which given the rate of growth of the economy of less than 5 percent reflects at best an anti-business fiscal policy and at worst an unrealistic growth claim.

In this context, it is extremely unfortunate that the International Monetary Fund (IMF) with considerable leverage as long as Pakistan is on its programme is also focused on total revenue as opposed to the source of revenue.

There are also examples of mismanagement attributable to flawed expenditure-related decision-making. The circular debt in the second quarter of the current year was 326 billion rupees, 39 billion rupees higher than the target agreed with the IMF, and the 11th IMF review report would indicate whether the third quarter target of 341 billion rupees has been met – a target inexplicably higher (instead of lower) than that set for the second quarter.

And in the final quarter under the ongoing programme, the Fund has agreed to an even higher stock of circular debt at 364 billion rupees. It is unclear whether the decrease in the flow of arrears (as opposed to stock) where actual arrears were estimated at 13 billion rupees as opposed to the target of 24 billion rupees, a difference of 11 billion rupees, was adjusted as a rise in stocks of arrears.

If so, this is unscrupulous data manipulation that prompted the Fund to state that the government over-performed in the power sector. In addition, the Pakistan State Oil has once again requested the government to release a whopping 190 billion rupees to enable it to import fuel to meet domestic demand of the power and other user sectors on time.

The Finance Ministry should bear the full responsibility for failure to make the payment in the event of a fuel crisis of the magnitude that faced the country a couple of years ago, a responsibility that Ishaq Dar had wrongly refused to bear at the time.

Second, the Finance Minister in the post-11th IMF review press conference maintained that development expenditure has doubled; however, according to the releases to-date on the Ministry of Planning, Development and Reforms website 429 billion rupees were released by April (last month) against the budgeted 700 billion rupees – a slash that would not only negatively impact on the growth rate but may also have some negative repercussions on the pace of implementation of the China Pakistan Economic Corridor.

It is hoped that the Minister of Finance makes some appropriate revisions in his economic policies to-date to forestall a further decline in economic activity and rising reliance on domestic borrowing to meet ever-rising releases under non-development expenditure.

http://www.brecorder.com/editorials/0:/49604:pre-budget-exercise/?date=2016-05-26

RS1.7T DEVELOPMENT BUDGET PROPOSED FOR UPCOMING FISCAL
The Express Tribune, May 28th, 2016

Shahbaz Rana

ISLAMABAD: Amid annoyance and uneasiness expressed by ministries, as well as a protest by the Balochistan chief minister, the Annual Plan Coordination Committee (APCC) on Friday recommended a national development outlay of Rs1.675 trillion and set an economic growth target of 5.7% for the new fiscal year.

During the APCC meeting held amidst high drama, Planning Minister Ahsan Iqbal, the chairman of the committee, was unsuccessful in convincing the ministries and provinces to accept the ground reality of tight fiscal space.

"It was nightmarish challenge to adjust Rs1.8 trillion demands by ministries and provinces within finance ministry's given envelope of just Rs655 billion," said Iqbal while speaking to the media after the meeting.

During the consultative process, various ministries and departments demanded Rs1.8 trillion under the federal Public Sector Development Programme (PSDP). Iqbal said the planning ministry had demanded over Rs900 billion but the finance ministry gave only Rs655 billion.

He said that the APPC recommended Rs800 billion for federal PSDP out of which Rs655 billion were allocated to the planning ministry for distribution among ministries and special areas. The remaining Rs145 billion are for temporarily displaced persons (Rs100 billion), parliamentarians' schemes (Rs20 billion) and Rs25 billion for Gas Infrastructure Development Fund (GIDF).

Another Rs875 billion were proposed for annual development plans of the provinces. The APCC's recommendations will now go to the National Economic Council, which is headed by Prime Minister Nawaz Sharif.

However, uncertainty remains whether the NEC will meet on the scheduled date of May 30, as the premier may extend his stay in UK, which may also delay presentation of the national budget, so far scheduled for June 3.

The APCC, which is the second last forum for approving new development budget and national macroeconomic plan, also approved 5.7% economic growth rate target for new fiscal year 2016-17 after the finance ministry reconciled itself to 'ground realities'. The ministry wanted a 6.2% growth target and the downward revised target will affect its next year's proposed budget deficit target of 3.8% of the Gross Domestic Product.

The finance ministry's convergence with 5.7% growth rate offers a chance to the Planning Commission to perform its statutory role of economic planning, which has so far been over shadowed by the finance ministry.

During the meeting, Balochistan Chief Minister Sanaullah Zehri staged a boycott over the scaling back of his province's development budget and the withholding of funds. However, later on, Ahsan Iqbal went to Balochistan House to address Zehri's grievances.

The provincial government has complained about slicing allocations of the federally funded projects. Against an allocation of Rs48 billion for the outgoing fiscal year, the federal government has so far released only Rs24 billion, which is just 52% of the allocation, said a senior official of the provincial government. He said that for the new fiscal year, the federal government was proposing just Rs46 billion.

However, Iqbal said that the federal PSDP cannot be distributed on geographical lines. He said that after the 18th amendment, the provinces got a major share in the federal divisible pool.

Khyber-Pakhtunkhwa Finance Minister Muzzafar Said also complained about his province being ignored in the new development budget. While talking to the media, he said that the federal government has not allocated funds for new schemes. He said that against Rs78 billion share of the federal government in Chashma Right Bank Canal project, the federal government has allocated only Rs100 million.

The K-P finance minister said that the Planning Minister has assured to include two road projects of the province in the federal PSDP, which are related to China Pakistan Economic Corridor (CPEC).

Ahsan Iqbal said that the APCC has approved 5.7% growth rate for the next fiscal year. He also said that the CPEC projects will be launched with full momentum in the next fiscal year, which will also provide stimulus to economic growth.

However, the National Highway Authority (NHA), which is executing road projects of the CPEC was not happy with its total allocation of Rs190 billion. Out of which, the NHA's CPEC allocation was just Rs110 billion. The NHA demanded over Rs200 billion alone for CPEC infrastructure projects.

So was the case with Pakistan Atomic Energy Commission (PAEC). Its next fiscal year's proposed allocation of Rs27.6 billion is almost 10% less than outgoing fiscal year budget. The PAEC's main energy projects are so far underfunded, said an official..

http://tribune.com.pk/story/1111735/rs1-7t-development-budget-proposed-upcoming-fiscal/

NEWS COVERAGE PERIOD FROM MAY 16TH TO MAY 22 ND 2016
NO HIKE IN DEVELOPMENT FUNDS FOR AJK, GB, FATA
Dawn, May 16th, 2016

Khaleeq Kiani

ISLAMABAD: Envisaging no increase in development funds for Azad Jammu and Kashmir (AJK), Gilgit-Baltistan (GB) and Federally Administered Tribal Areas (Fata), the government has convened a meeting of the National Economic Council (NEC) on May 30 to approve the country's development programme and macroeconomic framework for the next fiscal year.

The NEC meeting will be chaired by Prime Minister Nawaz Sharif and attended by the four chief ministers, AJK prime minister, GB chief executive, Khyber Pakhtunkhwa governor as the representative of Fata and at least four federal ministers.

A senior government official told Dawn that the AJK and GB governments had already been informed that there would be no change in their development budget, in view of the bloated requirements of projects affiliated with the China-Pakistan Economic Corridor (CPEC), energy projects and a slightly scaled-down revenue target of Rs3.6 trillion against the Rs3.735tr originally approved by the federal cabinet on April 27.

They have also been conveyed that the overall federal Public Sector Development Programme (PSDP) would be capped at around Rs650 billion, apart from about Rs100-120bn for expenditure on security and rehabilitation of temporarily displaced persons (TDPs).

The official said the outgoing AJK prime minister — who hails from the PPP — was not at good terms with the federal government following a recent public spat over the upcoming AJK elections and would lodge a protest during the NEC meeting about the limited amount of resources allocated for the region.

Sources close to the AJK prime minister said the development budget for the region had, in fact, been curtailed because the PML-N government had reduced funding by almost 40pc since it came to power about three years ago.

Sources said the AJK development budget stood at Rs20bn in 2013-14, which was brought down to about Rs12bn last year (a decrease of 40pc) and then slightly increased to Rs13.3bn for the current year (up by 10pc).

The development budget for GB was Rs9.5bn in 2013-14, which was reduced by 3.5pc to Rs9.2bn last year and then increased by 8pc to Rs9.9bn for the current year. But funding for Fata and States and Frontier Regions (Safron) has been increasing gradually, from Rs18.5bn in 2013-14 to Rs19.1bn last year and further up to Rs19.7bn for the current year.

The next federal budget, the sources said, would have an outlay of around Rs4.4tr, including interest payments of about Rs1.354tr (up 5.8pc) over the current year, defence expenditure of Rs860bn (up by 10pc), PSDP at Rs800bn (increased by 14pc), pension expenditures of Rs245bn (up 6pc) and subsidies to the tune of Rs170bn.

The NEC will also approve macroeconomic indicators for the next year, envisaging economic growth rate at 6.2pc and putting the rate of inflation at 6pc, budget deficit at 3.8pc of the GDP, and the tax-to-GDP ratio at 12.5pc. The public debt-to-GDP ratio is targeted at 59.4pc for next year.

The foreign exchange reserves target for next year will be set at $23.6bn, while the overall size of the economy (GDP) has been estimated at Rs34.8tr, up from Rs30.67tr in the current year.

The consolidated PSDP for next fiscal year has been estimated at Rs1.497tr, up 15pc from this year's Rs1.3tr. This will be an allocation of 4.3pc of the GDP, compared to the 4.2pc allocated in the current year.

Around Rs210bn is being earmarked for energy projects, while Rs467bn will be spent on infrastructure development.

http://www.dawn.com/news/1258595

CRUDE PRICE RALLY MAY POSE THREAT TO BUSINESSES, ECONOMY
The Express Tribune, May 17th, 2016.

Salman Siddiqui

KARACHI: The recent rally in international crude oil prices to $48 per barrel from below $30 in December last year is a wake-up call for Pakistan as the rebound may pose a serious threat to businesses, industries and the overall economy.

"Every $10 [per barrel] rise in international oil prices increases Pakistan's import bill by $1.25 to $1.5 billion per year," said Muzammil Aslam, Economist at Invest and Finance Securities.

According to him, the tumultuous journey of crude oil prices has not ended and a further increase can be expected. "The anticipated rise will add to the pressure on foreign exchange reserves. This may prompt authorities to increase electricity tariff in the name of fuel price adjustment."

He, however, was of the view that in the short run the crude price would recede to $39-40 per barrel with the restoration of 1.5-million-barrel-per-day oil supply in Canada. The oil flow had been disrupted by a recent wildfire in Canada's western province of Alberta.

Aslam expected the price to hover between $40 and 45 per barrel by December 2016, which would still be higher than $30 in December 2015.

A steep decline in shale gas production and closure of many rigs in the US had aided the surge in oil prices. Economists Dr Ashfaque Hasan Khan and Dr Salman Shah pointed out that the current crude price was way short of the more than $100-per-barrel rate hit a couple of years ago.

"Why are you comparing $30 per barrel with $46-47, why don't you compare current prices with $112 … the government has still time to take corrective measures to take benefit of the still low oil prices," Khan said.

He was of the view that crude prices would go above $100 per barrel again in the years 2017 and 2018. The prices would rise when production from countries that were not members of the Organisation of Petroleum Exporting Countries (OPEC) would decline and the glut was removed.

He believes the government would not fully pass the impact of increase in international prices on to end-consumers. “There is no connection between prices at world and local levels … the government has not passed the recent decline in prices on to consumers. Instead, it increased the rate of taxes on local petroleum products.”

Shah still found the current price stable for the economy. The government should demand higher production from oil-based power projects keeping in view the comparatively low prices, he said.

The price rebound would help oil and gas exploration and production companies improve their earnings. Besides, it would also help stabilise the Pakistan bourse where oil stocks have a heavy weightage. The recent recovery should also help stabilise prices of other commodities like wheat, cotton and sugar.

http://tribune.com.pk/story/1104517/crude-price-rally-may-pose-threat-to-businesses-economy/

SINDH CITIES: KCCI FOR USING FEDERAL FORMULA FOR JUDICIOUS BUDGETARY ALLOCATIONS
Business Recorder, May 20, 2016

N H Zuberi

The Karachi Chamber of Commerce and Industry (KCCI) has suggested that Federal government formula for distribution of resources from divisible pool among provinces needs to be applied by Sindh to cities within the province to rationalise budgetary allocations so that Karachi get its due share.

According to the formula for distribution of resources by the Federation, the highest weight is given to population (82 percent) followed by poverty or backwardness (10.3 percent), revenue generation (5 percent) and inverse population density (2.7 percent).

Based on this criteria, Punjab gets the lion’s share of 51.74 percent followed by Sindh which gets 24.55 percent while KPK and Balochistan get 14.62 percent and 9.09 percent share, respectively. The above criteria also need to be applied by Sindh to cities within the province to rationalise budgetary allocations so that Karachi gets its due share.

On the aforementioned criteria, Karachi would comfortably and justifiably qualify for a share of more than 50 percent (ie more than PKR 107 bn for FY16) of the Sindh development allocations due to it being the city with the highest population, highest revenue generation, and extreme poverty with more than 560 Katchi Abadis.

Unfortunately, budget allocation for Karachi has always remained insufficient to its needs, and FY16 was no different. Karachi is a mega port city, ranking amongst the top three cities in the world in terms of population with an estimated FY14 population of more than 23.5 million, accounting for around 13 percent of the country and more than 47 percent of Sindh. Rate of urbanisation has been highest in Karachi where hordes of people from all four provinces have migrated to settle and for earning, leading lives in cramped shelters and under unhygienic conditions.

Umpteen colonies have sprung in the city comprising of people coming from different areas of the country including interior Sindh, Punjab (mainly southern part), KPK and Balochistan and foreign illegal migrants from Afghanistan, Burma and Bangladesh.

Scores of families affected by the devastating floods of 2011 in Sindh are also said to have settled in Karachi for their living. This heavy and unplanned influx of migrants has caused multifaceted problems for the city.

Many areas of the city have turned into ruins where infrastructure and roads are badly worn out, sewerage system is clogged with sewage water running on the roads and heaps of filth lying unattended at roadsides. Solid waste management has become one of the serious urban nightmares in the city.

These are accompanied by numerous other problems like water shortage, power outages, lack of public transport facilities, lack of fumigations and outbreak of criminal mafias including robbers, land grabbers, water tanker mafias and beggars have altogether made life and doing business increasingly difficult in this city.

Therefore, lots of funds are needed to manage the city to cope with the additional burden on the resources of Karachi. However, it has been extremely unfortunate that budget allocations for Karachi have been kept direly low while totally ignoring the ground realities and changed dynamics of the city.

Karachi was only allocated a meagre Rs 49.7 billion for FY16 which is just 6.7 percent of total outlay and a mere 35 percent of total development expenditures of the budget. It is interesting to note that Karachi was allocated Rs 42 billion for FY15 but the revised disbursement estimates were only Rs 33 billion which are even lower than the amount allocated to other much smaller cities of Sindh.

No one would deny the facts that Karachi has the largest contribution to the revenue collection (more than 65 percent), provides highest employment to the people from across Pakistan, has the highest rate of urbanisation and that the census of 1998 wildly understates the population of Karachi.

According to the last census that dates back to 1998, the population of Pakistan was 132 million where Punjab had a population of 73.6 million and that of Sindh was 30.44 million.

The population of Karachi Division at that time was at 9.9 million which accounted for 32 percent of Sindh and 7.5 percent of Pakistan's population. Even as per these obsolete population figures, the allocation to Karachi in Sindh Budget FY16 was so low that the per capita allocation to Karachi comes out to a mere Rs 5,024 which if taken as per recent population estimates would be only PKR 2,116.

http://www.brecorder.com/business-and-economy/189:pakistan/47496:sindh-cities-kcci-for-using-federal-formula-for-judicious-budgetary-allocations/

EXPERTS CRITICISE GOVT, IMF FOR DATA MANIPULATION
The Express Tribune, May 20th, 2016.

ISLAMABAD: Economic experts and academics have criticised both the government and the International Monetary Fund (IMF) for what they called "the manipulation of fiscal data" and misaligned economic priorities.

They demanded of the government that the budget for the coming fiscal year 2016-17 should be based on long-term economic priorities of the nation, with human development and wellbeing as the main focus. The budget entails the overall policy direction and should not be taken merely as a sheet-balancing or accounting exercise, they said.

The speakers, however, also hailed the strength and economic robustness of the Pakistani nation, which has continued to thrive due to its rural and informal economy and also the billions of dollars of remittances sent by expatriates.

"Mere balancing of payments was by no means the objective of economic planning and policy making," Dr Ashfaque Hassan Khan, Dean, School of Social Sciences and Humanities, National University of Science and Technology (NUST) said in his keynote address at a pre-budget seminar held at the Institute of Policy Studies here on Thursday.

Khan, who was a former economic adviser to the federal government, alleged that the IMF has turned a blind eye on the economic failures of the present government.

Heavily criticising the macro-economic policies of the government, especially its austerity measures and spending priorities, Khan claimed that the country will be faced with a deadly debt trap by 2018-19 as a result of the measures taken by the financial managers of the present government. Had the international oil prices not gone down since June 2014, the government would have had added at least $8 billion debt on the country by now, he added.

He was of the view that the actual GDP growth falls hardly in the vicinity of 3-3.7%, contrary to the government's claims of heading towards a growth rate of around 6%, which according to him were based on distorted facts and manipulated data.

Khan also projected that actual fiscal deficit would amount to over 8% of GDP and the government's economic managers were trying to arrive at facts agreed – after several revisions – with the IMF by playing with the actual economic indicators. He added that a mammoth amount of Rs178 billion was being accounted for as "statistical discrepancy."

Fasihuddin, former chief economist of Planning Commission of Pakistan, chaired the event. In his concluding remarks, while noting that the economic performance in the outgoing fiscal year has been better than the performance of the last year, said that there was a "gap between what we had realised and what we may actually have realised considering the potential of the economy."

He was of the view that as this was the last full-fiscal budget by the present team of economic managers, they should focus more on the wellbeing of the common man as election year fast approaches.
http://tribune.com.pk/story/1106690/fiscal-critique-experts-criticise-govt-imf-data-manipulation/

PAKISTAN MISSES ECONOMIC GROWTH TARGET
Dawn, May 21st, 2016

Khaleeq Kiani

ISLAMABAD: The country missed the economic growth target for the current financial year by a wide margin mainly because of widespread dismal performance by the agriculture sector. The gross domestic product (GDP) grew by 4.7 per cent against the target of 5.5pc.

At a meeting on Friday of the national accounts committee comprising senior representatives from the four provinces and regions and technical experts, the performance of all economic sectors was added up that showed higher than targeted growth by the industrial sector. The services sector achieved its growth target of 5.7pc.

But the most worrying aspect of the year was a 0.19pc negative growth by agriculture as a whole against the target of 3.9pc.

Cotton output led the freefall in the agriculture sector, considered the backbone of the national economy, as it posted a negative growth of 27pc. The cotton output stood at 10.1 million bales against the target of 13.96m bales. Last year, its output stood at 13.9m bales with a 9.5pc growth.

As a result, cotton ginning declined by 21pc against the target of 5pc. Important crops output fell by 7.18pc against the target of 3.2pc, while other crops fell by 6.2pc against the target of 4.5pc.

Wheat production grew by a meager 0.61pc to 25.47 million tonnes.

The livestock sector grew by 3.63pc, but remained short of the 4.1pc target, while fisheries increased by 3.3pc, surpassing the 3pc target. Forestry was the only saving grace in the agriculture sector as it grew by 8.8pc against the target of 4pc.
On an overall basis, industry grew by 6.8pc against the target of 6.4pc. It was supported by the construction and electricity sectors — the linchpins of the Pakistan Muslim League-Nawaz government's development focus.

Last year, industry had grown by 3.6pc.

The mining and quarrying sector grew by 6.8pc against the target of 6pc, but the overall manufacturing sector could not meet growth expectations. The manufacturing sector posted a growth of 5pc, but remained short of the 6.1pc target. It had grown by 3.2pc last year.

The most important sector in industrial domain — large scale manufacturing (LSM) — also could not meet its growth target of 6pc. It grew by 4.6pc. LSM had improved by only 2.4pc last year. Small and household manufacturing grew by 8.2pc against the target of 8.3pc.

The construction sector grew by 13.1pc as it went beyond the 8.5pc target, while electricity generation and gas distribution improved by 12.2pc against the target of 6pc.

The services sector could meet the target of 5.7pc, but this was mainly supported by an increase in the salary of government employees. This was evident from an 11.13pc growth in general government services against the target of 6pc.

Transport, storage and communication services grew by 4.1pc against the target of 6.1pc, while wholesale and retail trade improved by 4.57pc against the target of 5.5pc.

The finance and insurance sector exceeded the target of 6.5pc with a 7.1pc growth. Housing services stood at 3.99pc against the target of 4pc.

Likewise, other private services improved by 6.64pc against the target of 6.4pc.

http://www.dawn.com/news/1259741
COUNTRY'S ECONOMY HAS SUFFERED $200 BN LOSSES DUE TO TERRORISM'
Business Recorder, May 22, 2016

ISLAMABAD: Pakistan's economy suffered losses worth two hundred billion dollars due to terrorism.

Foreign Office spokesperson Nafees Zakaria said this while speaking with Radio Pakistan's Current Affairs Channel.

He said 65,000 Pakistanis including 6000 personnel of Pakistan Army and law enforcing agencies lost their lives due to this phenomenon. He said Pakistan's sacrifices, contribution and success in the war against terror are acknowledged by the entire world community including the US administration.

The spokesperson said Pakistan has been hammering out the fact that terrorism is a global challenge and it can be tackled through collaborative efforts.

He said no one can doubt Pakistan's sincere resolve to eliminate terrorism and in this regard no distinction is made among terrorists.

To a question about restrictions imposed by US Congress on aid to Pakistan, the spokesperson said our bilateral relation is not confined to these issues alone.

He said Pakistan-US relationship is broad-based and has many facets. He said the legislation adopted by the Congress has more stages and it would be premature to comment on it.

About Shakeel Afridi, the spokesperson said he is Pakistani national and his case is before the judiciary. He said Pakistan respects laws of other countries and expects the same from others.—NNI

http://epaper.brecorder.com/2016/05/22/3-page/761420-news.html

NEWS COVERAGE PERIOD FROM MAY 9TH TO MAY 15TH 2016
US FOR STRONGER ECONOMIC RELATIONS WITH PAKISTAN
Dawn, May 13th, 2016

ISLAMABAD: Washington wants a more strengthened economic relationship with Pakistan, United States Ambassador to Pakistan, David Hale said on Thursday.

"Trade and economic relationship is part of security but it is more important than bullets," he said during a call on meeting with Minister for Commerce, Khurram Dastgir Khan.

An official statement quoted Ambassador Hale as saying the political climate in Pakistan was stable and the US was considering extending assistance in economic and trade areas.

"We are eyeing on investment treaties and other related tools with Pakistan to proceed further on economic and trade related matters," he added.

"People should look at the brighter sides of Pakistan where business environment has improved for investment and business," the ambassador emphasised. Ambassador Hale appreciated Pakistan's role and efforts in solidifying economic relations in the region with neighboring countries.

"We are strong supporters of regional trade integration and connectivity in the region and Pakistan's efforts in this regard are praiseworthy," the ambassador mentioned.

He said the US was looking forward for sector specific reverse trade missions to work together in the 'untapped' agriculture sector.

Mr Dastgir said the US remains the biggest trade partner of Pakistan and a principal export destination. "There is always space to grow and increase trade and business among both the countries," the minister said.
http://www.dawn.com/news/1258054

NEWS COVERAGE PERIOD FROM MAY 2nd TO MAY 8th 2016
BUDGET STRATEGY: AMBITIOUS TARGETS
Business Recorder, May 02, 2016

Dr Hafiz A Pasha

The budget strategy for 2016-17 was approved recently by the Federal Cabinet. Not only is there a positive expectation about the performance of the economy in 2015-16 but also that it will revive strongly in 2016-17 and achieve a growth rate of the GDP of almost 6.5 per cent. This will be the highest growth rate, if achieved, since 2006-07.

The high-level of optimism runs counter to the prevailing reality. The expected GDP growth rate of 5 per cent in 2015-16 is very unlikely. The major crop sector has witnessed a quantum decline of almost 30 per cent in cotton output. Simultaneously, other Kharif crops have shown little growth or even declines. According to the latest official forecast, the wheat crop will be somewhat below last year's level.

Consequently, the agricultural sector, as a whole, is likely to show a minimal growth rate in 2015-16. Given the linkages of this sector with agro-based industry and with trading and other service activities, the overall GDP growth rate is likely to be adversely affected. Historically, over the last three decades, when agriculture has performed poorly during a particular year, the GDP growth rate has not exceeded 4 per cent.

The relatively good performance of the large-scale manufacturing sector in the first eight months of 2015-16 is based on exceptionally high growth rates in a few industries like automobiles, chemicals and fertiliser. However, the big decline in rural purchasing power due to a fall in output and prices, is affecting the demand for a wide range of consumer goods and durables. Industries like cotton cloth, sugar, cigarettes, soaps, matches, tractors, refrigerators, TV sets, sewing machines, bicycles, tyres, paper, etc, have shown either negative or low growth rates.

The big decline in manufactured exports, especially textiles, has also affected growth of the sector. Stocks are being built up in industries like cotton yarn, fertiliser, etc, which will eventually lead to a cut back in output. Electricity generation, estimated by NEPRA, has increased by only 3 per cent in the first nine-months of 2015-16. However, growth is apparently high in the construction sector and cement domestic sales have shown high double-digit growth.

Turning to services, the prospects are for a down turn in growth in relation to 2014-15 in sectors like wholesale and retail trade, transport and communications, banking and public administration. The overall realistic expectation in that the GDP growth rate will range between 3.5 to 4 per cent in 2015-16.

The budget strategy target for 2016-17 of a GDP growth rate of almost 6.5 per cent is highly unlikely for a number of reasons. First, the global economy is showing a lack of buoyancy, with the growth rate likely to fall from over 5 per cent five years ago to about 3 per cent in 2016. World trade is also relatively stagnant and commodity prices are likely to remain very low. Even China may suffer a big decline in its growth rate from over 9 per cent to about 6.5 per cent in 2016.

In the presence of low commodity prices and high costs of production, the agricultural sector of Pakistan is unlikely to show much dynamism in 2016-17. Export growth is also likely to be constrained in the coming year. Therefore, if the economy achieves a growth rate close to 5 per cent in 2016-17, then this can be considered a very good performance.

In fact, the option to stimulate extra growth through counter-cyclical polices in 2016-17is not being actively pursued. The level of the federal PSDP is being increased by Rs 100 billion or 14 per cent, while Provincial PSDPs are also expected to be raised by a similar amount. Overall, the level of development spending as percentage of the GDP is likely to remain, more or less, unchanged. Most of the incremental spending will be on CPEC projects at the Federal level. However, in the short run, CPEC investment will not contribute to higher growth as it will be accompanied by larger machinery imports.

Tax policy will also continue to be focused on incremental resource mobilisation rather than on some tax relief to revive growth in key sectors. FBR revenues are projected at almost Rs 3.6 trillion, implying a high growth rate approaching 20 per cent. Current expenditure, including on defence, is to be restricted to a low single-digit growth rate.

These targets in the budget strategy for 2016-17 imply that the Government is essentially continuing with the process of stabilisation. The fiscal deficit is to be brought down further to 4 per cent of the GDP, close to the target for 2016-17 agreed with the IMF. The patent contradiction is that in the absence of expansionary policies the economy is still expected to achieve a growth rate of almost 6.5 per cent. This is somewhat wishful thinking, perhaps induced by the need to show that political stability must continue as the economy is poised for a takeoff.

Other targets in the budget strategy are also very ambitious. The overall investment level is expected to increase by $13 billion, equivalent to growth of 29 per cent. CPEC investments will contribute, but investments in these projects are unlikely to exceed $6 billion next year. Also, given the state of agriculture private investment in the sector will fall sharply. The unemployment rate currently is above 8 per cent and a big drop in this rate to 4.8 per cent in 2016-17 is also unlikely. However, the inflation rate has been projected more realistically at 6 per cent.

The big area of concern is the increasing fragility of the balance of payments. Exports are falling rapidly and are unlikely to recover strongly in 2016-17. Oil prices have started rising once again. Remittances have stopped growing and non-oil imports have reached significantly higher levels in the presence of an overvalued currency. It is possible that next year the current account deficit could exceed 2 per cent of the GDP.

A build-up of foreign exchange reserves from $20 billion currently to almost $24 billion in 2016-17 will be difficult to achieve in the absence of credit inflows from the IMF. The higher foreign direct investment from China for the CPEC will be used largely to finance higher machinery imports.

Overall, the budget strategy for 2016-17 is based on extremely optimistic assumptions. The Government expects the economy to finally go back to a trajectory of high growth, even in the absence of strong expansionary policies. There is the risk that the GDP growth rate will remain below 5 per cent. The level of unemployment will remain high. Investment could rise because of the CPEC but with little impact on growth in the short run due to higher imports. The likelihood that the economic scenario will change substantially next year is low. We may continue to see `more of the same`.
http://www.brecorder.com/articles-a-letters/187:articles/42338:budget-strategy-ambitious-targets/?date=2016-05-02

‘POSITIVE INDICATORS HAVE PAVED WAY FOR PROSPERITY’
The Express Tribune, May 5th, 2016.

ISLAMABAD: Positive economic indicators have put Pakistan on the path of progress and prosperity and with completion of the China-Pakistan Economic Corridor (CPEC), it would soon become an important country of the region, said President Mamnoon Hussain.

Speaking at the fourth Achievement Award Ceremony of the Federation of Pakistan Chambers of Commerce and Industry (FPCCI), he said that under the CPEC the government was working on major infrastructure development and energy projects, adding that the national economy was moving ahead at rapid pace.

“All the economic indicators in the country have improved over the past three years and this fact has been acknowledged by several international organisations,” said Hussain.

He said that the business community and trading bodies were playing a key role in strengthening the economy owing to the great turnaround shown by the prudent policies of the government

The president urged industrialists and exporters to look for new markets and asked them to seek remedial measures from the government departments, which would facilitate them.

Talking about taxes, he urged the business community to play their role in promoting the tax culture by paying regular taxes to generate more revenue and help strengthen the country’s health, education and social sectors.

Hussain said that corruption has damaged the country in the past but now the situation was improving.

Speaking about Pakistan’s ties with its neighbours, the president said that they wanted good relations with all including India and Afghanistan.
Trade Development Authority of Pakistan Chief Executive Officer S.M. Munir lauded the measures taken by the government to bring about economic stability and ensure law and order in the country.
Hussain gave awards, certificates and shields amongst 73 participants for their outstanding performance in boosting trade and strengthening the economy.

http://tribune.com.pk/story/1097515/positive-indicators-have-paved-way-for-prosperity/

SURVEY ORDERED TO DOCUMENT RURAL ECONOMY
Dawn, May 7th, 2016

ISLAMABAD: Finance Minister Ishaq Dar on Friday directed the Pakistan Bureau of Statistics (PBS) to initiate a survey of rural areas as part of documentation of the economy.

Chairing a meeting to review the working of PBS, Mr Dar directed the bureau to complete the survey expeditiously so that updated data is available for making informed decisions, an official statement said.

PBS Chief Statistician Asif Bajwa briefed the minister on various activities of the agency.

He made a detailed presentation on the 'Urban Rural Areas Frame Updation Project' and informed that PBS surveyors have done most of the work for digital mapping of urban areas in the country.

The remaining work, carried out in coordination with the provincial governments, will be completed within 6-8 weeks, he said.

Mr Bajwa also briefed about the 'Rebasing of National Accounts Project'.

The meeting was informed that PBS has completed four surveys including the Construction Survey, Small & Household Manufacturing Industries Survey, Rent Survey and Household Integrated Income and Consumption Survey.

In the coming year, a study on road transport and surveys on agriculture, industries, wholesale, retail trade and electricity establishment would be completed.

The chief statistician further informed the minister that PBS has started a programme for the in-house training and skill improvement of its staff. New technologies and software updates are also being introduced to ensure better performance of the institution.

http://www.dawn.com/news/1256742/survey-ordered-to-document-rural-economy

GOVT UTILISED JUST 60PC OF 2015-16 DEVELOPMENT BUDGET IN JULY-APRIL
Dawn, May 7th, 2016

ISLAMABAD: The government disbursed Rs429 billion for development projects in the first 10 months (July-April) of this fiscal year, accounting for only 61 per cent of the Rs700bn total allocations.

The pace of development spending during 2015-16 is significantly slower than last fiscal year when the Public Sector Development Programme (PSDP) had consumed almost 67pc (Rs349bn) of budgetary allocations (Rs535bn) in the first 10 months.

With this pace of releases, the government is likely to cut the development programme by over Rs75bn to contain the fiscal deficit within limits, a senior official said. The government is facing problems selling another modern telecom licence that was anticipated to yield about Rs50bn during this fiscal year.

Data compiled by the Planning Commission, utilisation of funds by all the federal ministries amounted to Rs122.5bn, accounting for only 58pc of their allocated share of Rs209.6bn for the whole fiscal year. During the same period last year, the ministries had utilised about Rs177bn in first 10 months against the total allocation of Rs259bn, more than 69pc.

Under the government's approved disbursement mechanism, the PSDP should have consumed 80pc of total allocations in the 10 months. The mechanism required disbursement of 20pc each in first two quarters followed by 30pc each in last two quarters.

Power sector utilised the highest Rs97bn of the PSDP funds during the July-April period, almost 85pc of the Rs114bn allocation for the year. This was in line with government's top focus on enhancing power generation capacity and initiation of some projects under the China-Pakistan Economic Corridor (CPEC).

During the same period last year, the power sector had consumed about Rs44bn, about 69pc of total allocation of Rs64bn.

The utilisation of funds in the road sector was strikingly slower than last year. Major road sector projects of the National Highway Authority consumed Rs64bn (40pc of allocation) against last year's same period consumption of Rs70bn (63pc).

The government disbursed about Rs41bn for development schemes in special areas like AJK, Gilgit-Baltistan and the tribal region that accounted for almost 95pc of Rs43bn allocation. General elections are due in a few weeks in Azad Kashmir while these were conducted recently in GB.

Full disbursements were made for community development schemes of the parliamentarians as the entire amount of Rs20bn allocated for the purpose stood consumed ahead of local bodies elections last year.

This appeared to be in line with expectations of the International Monetary Fund (IMF) that expected Pakistan to curtail its overall development budget by Rs360bn (24pc) of allocations to limit fiscal deficit.

According to official documents released on the weekend after approval of Pakistan's 10th quarterly review by its executive board, the IMF expected the government to rein in its overall development programme at Rs1.155 trillion, down 24pc, against Rs1.513tr approved by parliament and four provinces.

The IMF has targeted the federal government to contain PSDP expenditure at Rs620bn, down 12pc, against Rs700bn authorised by parliament. On the other hand, the cumulative annual development plans of the four provinces would be reduced to Rs535bn, down about 35pc 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 for current year at 4.3pc of GDP including 0.3pc expenses for military operations against terrorists in the tribal region and resettlement of temporary displaced persons.

https://www.dawn.com/news/1256743

ECONOMIC OPPORTUNITIES FOR PAKISTAN
Farhat Ali

Business Recorder, May 07, 2016

Pakistan has significantly benefited from soft oil prices, which account for almost a third of its imports. But the country could not benefit much from this unprecedented windfall and did not manage to achieve the economic growth, as the opportunity offered. For the last three years, the economic growth is hovering around 4 percent.

The World Bank, in its report issued last Thursday, projected Pakistan's GDP growth at 4.5 percent for the current fiscal year against government's target of 5.5 percent. The country's growth rate is expected to rise to 4.8 percent in 2016/17. The growth up to 2019 is also projected to be modest. These projections are quite modest as compared to ambitious figures of GDP presented in the Budget Strategy Paper 2016 by the Ministry of Finance just a few days back.

"The growth outlook for FY 16 remains modest with growth expected to increase slightly to 4.5 percent of GDP in FY 16 from 4.2 percent in FY 15, driven by large scale manufacturing growth of 4.0-4.5 percent and services growth of over 5 percent," said the bank in its report titled "Pakistani's development update: from stability to prosperity".

Much of the country's economic growth is largely on account of external factors such as low oil prices and strong remittances while private and public investments continue to remain low. Remittances of $9.7 billion in the first half more than compensated for the trade deficit, whereas oil prices effected a 9.1 percent fall in the import bill.

The World Bank report said that Pakistan's expected growth rate remains well below the growth rates of the country's South Asia peers. "A further growth revival will remain contingent on the government," it said.

Pakistan's economic recovery can be best rated as stable and modest. It has not yet embarked on the path of prosperity as it should have been the case in view of many positive and favourable factors which could have made it happen. The country's economy continues to suffer from inherent weaknesses. Exports fell by 11.1 percent in the first half largely due to softer global demands, domestic logistics bottlenecks, a lack of government's export strategy and a laid-back attitude of the public functionaries in Pakistan and the commercial counsellors positioned aboard to facilitate trade.

Country's agriculture growth remains sluggish and is expected to slow down to 2-2.5 percent for 2015-16 as compared to 2.9 percent in 2014-15. Although the services and large scale manufacturing have recorded growth and are expected to grow by 5 percent and 4-4.5 percent in the current fiscal year, respectively, the small and medium-scale enterprises' (SMEs) growth is sluggish.

Pakistan's urban economy, which accounts for almost half of the GDP, sharply fell 3.0 percent over the last six years due to decline in the industrial growth. The growth rate recorded in the period 2002 to 2008 was 6.5 percent as against 3.5 percent in 2014-15.

Foreign Direct Investment (FDI) in the country continues to be sluggish. Except for some FDI from China on account of the Economic Corridor, FDI from other countries, such as the US and the EU states is drying out and there are no positive signs of its coming back.

Loss-making enterprises in the public sector continue to cause a dent on the national exchequer while the privatisation plan of these units has been rolled back with no alternate strategy to plug the losses.

Pakistan today is positioned much better than it was three years ago. The law and order situation in the country has significantly improved. The global perception of the country is now much better. The local and foreign investors look at Pakistan with more confidence. The China-Pakistan Economic Corridor has added new dimensions to Pakistan's strategic and economic alignment with China. The global political and economic dynamics are undergoing a dramatic change and Pakistan is positioned well to cash in on these changes in its favour.

The Central Asia Regional Economic Co-operation (CAREC) programme, under ADP, has undertaken $1 billion projects in Pakistan since its inception mainly in road infrastructure. On the sidelines of the 49th annual meeting of the ADP last week, ADP's Director General stated that the CAREC initiative is meant to construct economic corridors and $22 billion was meant only for transport and road sector.

Under the initiative of CAREC, Central Asia is on the move. This region is witnessing the rebuilding of ancient transport and trade routes that once connected Euro-Asia. Rich in natural resources the CAREC countries are embarking on a new path of prosperity. Its success will be the defining feature for its leading role in the changing economic and politic dynamics of the world.

There is no country better positioned in the region to benefit from this initiative of ADP than Pakistan considering its lead in the region with the China-Pakistan Economic Corridor. This corridor will be the only state of art and open land route connecting South Asia to Central Asia. It is in Pakistan's interest to open the corridor for investment by other sources in addition to that from China.

Investors' confidence has improved: The Overseas Chamber of Commerce and Industry (OICCI), a business chamber of foreign and multinational companies, conducts each year a Business Confidence Index (BCI) survey, which is a practice for the last 12 years. Report based on surveys and is sent each year to all the policymakers and stakeholders. A recent BCI survey expressed bullishness and confidence over the growth and sustainability of Pakistan's economy with a note of caution about poor infrastructure, lack of policy implementation, delays in tax refunds, cumbersome procedures and a lack of accountability and slow decision-making processes. The survey identified that real estate and financial services performed the best followed by fast moving consumer goods sector. The survey, with feedback from all over the country and involving nearly 200 foreign and multinational companies, is considered the most comprehensive and reliable document reflecting the business strategies and mindset of these valuable investors.

Pakistan has made progress in restoring macroeconomic stability but much has to be done to put it on a solid economic growth footing. We need to get on this path. There are a number of positive economic indicators such as reduced petroleum product prices, low single-digit inflation, low borrowing rates, opportunities offered by the China-Pakistan Economic Corridor, the return of Iran to the international community and ongoing energy and infrastructure projects and a much improved law and order situation has the potential to kick-start this process. The government needs to put its act together.

http://www.brecorder.com/articles-a-letters/187:articles/43691:economic-opportunities-for-pakistan?date=2016-05-07

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June 2016

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

BREXIT AND PAKISTANI ECONOMY

The Express Tribune, June 27th, 2016.

Pakistani exporters have something new to worry about after the UK's referendum on whether or not to leave the European Union (EU) resulted in a win for the Leave camp. The way forward for them has just became slightly murkier. From enjoying GSP Plus status, negotiations would now need to happen again as they fight to increase exports that have taken a hit for various reasons, ranging from competitiveness issues to a slowdown in foreign economies.

The impact of the Brexit vote has also seen stock markets the world over nosediving, while safe-haven assets, including gold and the US dollar, gained in value. The situation may have been speculative, even panic-induced, but it reflects the rocky road ahead as the world comes to grips with the referendum result. Uncertainty has increased globally and in such a situation, it's realistic to say that Pakistan's economy will take a slight hit as well.

Our exports may be just 0.7 per cent of the GDP, but they're crucial if Pakistan is to increase its foreign exchange reserves without relying on the IMF programme and debt. Falling oil prices may help lessen the import bill, but a similar plunge in exports will offset the positive. In the latest budget, the finance minister had promised zero-rated tax regimes for export-oriented sectors in a move to arrest the decline.

This preferential treatment will obviously be given at the taxpayers' expense. Hence, with exports possibly taking another hit after the Brexit vote, we have reason to be alarmed. Is this the start of another excuse-making exercise exporters would indulge in to keep on asking for favours at the expense of taxpayers?

The government needs to be wary of this. Pakistan's economy may not be completely dependent on the global chain, but it is connected nevertheless. There is little reason to panic, but there are enough concerns that should prompt Pakistan to plan, diversify its export markets and look for opportunities in unexplored areas. Its preferred markets have already been overtaken by Bangladesh and India.

The stock market is likely to get back on its feet as the MSCI reclassification would offset any negatives, but exporters need to up their game now before using Brexit as yet another excuse for falling exports. Any decline in exports would speak more of their inability to compete than anything else.

http://tribune.com.pk/story/1130785/brexit-pakistani-economy/

GWADAR VERSUS CHAHBAHAR: ECONOMICS IS ON OUR SIDE: SARTAJ
Business Recorder, June 28, 2016
Anjum Ibrahim

Economics is on our side, stated Advisor to the Prime Minister on Foreign Affairs Sartaj Aziz during a press briefing to editors and senior anchors at the Foreign Office. Indian Prime Minister Narendra Modi's agreement with Iran and Afghanistan to develop Chahbahar as an alternate port to Gwadar would have limited success as economics is on our side, Aziz elaborated.

Pakistan has adopted a principled stance with India, the Advisor stated, and the focus at present is on containment of tensions and no untoward incident on the Line of Control. India acknowledges Pakistan's positive contribution to the Pathankot investigation; however, the Advisor stated that he is unsure of when comprehensive bilateral dialogue between the two countries will recommence. "Our stance remains principled – we want dialogue on all issues and not just on the one issue," he said.

"We were prepared to submit our application for the Nuclear Supplier's Group (NSG) membership and submitted our request four days after India. In 2008 the then government took no notice when India was granted an exemption from the requirement adopted by the Nuclear Suppliers Group (NSG) in 1992 banning nuclear cooperation with any state that had not accepted IAEA (International Atomic Energy Agency) comprehensive safeguards.

That move allowed India to engage in nuclear trade with NSG members. Events later proved that was a wrong decision as India then began a nuclear arms race. China and Turkey were opposing India's application from the beginning on the grounds that NPT must be signed first and there should be parity between Pakistan and India however four more countries opposed India's entry recently.

Pakistan has shared the dossier on Yadav's activities in Pakistan with the United Nations and the United States however he had a network and once the investigation is complete then legal action will be initiated, the Advisor stated. Acknowledging that India is a big market and has an exportable surplus yet "our historical relations with Middle Eastern and other Muslim countries cannot be undermined as a consequence of one visit by Modi", he stated. We are doing well internationally, Aziz said, as out of 18 elections in the international fora we have won 17.

Strategic dialogue with the United States is smooth and there are six working groups whose progress is as per schedule, Sartaj Aziz stated. However the US has been informed that we will not compromise on the nuclear issue, the Advisor noted and added that Pakistan and the US objectives with respect to bringing peace to Afghanistan are the same however the difference is in timing and sequencing.

The US realises Pakistan has a role in the region and has stated that its relations with India are not at Pakistan's cost. He reiterated the country's stated stance that "we question the drone strike that killed Mullah Mansour because the attack was 3 days after the Quadrilateral Co-operative Group during which it was agreed to give peace a chance. So what happened which led the US to violate that commitment and launch a drone strike against Mullah Mansour that killed him?"

Pakistan is working towards finding an alternative to F16s and talks are under way with Russia and China (JF 20) but it is too early to tell yet, Aziz stated. Aziz also acknowledged that Afghan peace is important for Pakistan or else there is a spillover of violence into Pakistan.

"Our biggest challenge remains our counter terrorism policy and its effectiveness can be gauged from the 70 to 80 percent reduction in terror attacks in the country," Aziz said adding that the reason for this marked reduction is that the national action plan is being implemented; however we need to over-manage our borders instead of semi managing them, he said.

"The border cannot be fenced and we cannot manage the entire border however 4 to 5 entry points constitute 80 to 90 percent of the traffic on our borders with Afghanistan," he said and added that Afghanistan prefers lose borders. At present we are focused on patrolling Torkham and later Angoor Adda but Pakistan needs to better manage the movement of people and goods (smugglers).

“We want the refugees to return and are talking to UNHCR to set up centres for the return of the Afghan refugees to Afghanistan,” he said adding that the Durand Line is internationally recognised though some Afghan elements raise the issue for domestic political reasons.

Pakistan is fully committed to the Iran-Pakistan gas pipeline and though there are still sanctions against dollar transactions yet Euro transactions can proceed; but Pakistan under the China Pakistan Economic Corridor (CPEC) will construct a pipeline from Gwadar to Nawabshab and once constructed there will only be 80 kms to the Iranian border so we are working towards the realisation of the Iran pipeline, he contended.

The government has its full focus on the CPEC and there are several detractors but the effort is to counter their negativity. Foreign policy implications are not immediate, Aziz said, but long term and insisted that the government’s policies are in the right direction. “We have been in government for three years and we have better relations with countries around the world”, he maintained. Foreign policy must reflect domestic unity and the media should support the government on this issue, the Advisor urged the media.

When asked if it was the Foreign Office dictating the country’s foreign policy or the establishment Sartaj Aziz stated that the army had been in government for 35 years and had the capacity. Interacting and co-ordinating with all relevant national institutions ensures the success of any endeavour, he stated and maintained that counter terrorism efforts are succeeding because there is a national consensus.

Lobbyists are not a substitute for active diplomacy and our trained Foreign Office staff is capable but “we recognize that we need image building and so we will hire lobbyists in the US,” he stated. The major thrust of the press conference was to dilute the perception that Pakistan is isolated, and the list of achievements of the Sharif administration as cited by the Advisor ranged from the China Pakistan Economic Corridor, the two major energy import projects from Central Asia – CASA 1000 and Tapi – membership of Shanghai Cooperation Organisation, an active OIC/ECO diplomacy, GSP Plus from the European Union, India, US, Latin America and Africa and even the Quadrilateral Co-operative Group meeting. He added that Pakistan is focused on exporting skilled manpower.

Sartaj Aziz was flanked by Special Assistant to the Prime Minister on Foreign Afairs Tariq Fatemi and Aizaz Ahmed Chaudhary Secretary Foreign Affairs on his left and the Minister for Information and his Secretary were seated on his right. The lefties remained silent throughout the meeting while those on the right tasked themselves to determine the order of questions. While the Minister for Information remained silent except for one facetious remark his Secretary was observed to closely monitor his changing expressions at the queries raised during the press briefing.

http://www.brecorder.com/top-stories/0/60754/

3RD QUARTERLY REPORT 2015-16: DESPITE LOSSES, ECONOMY CONTINUES TO GROW: SBP
The Express Tribune, July 2nd, 2016.

KARACHI: The State Bank of Pakistan (SBP) said on Friday Pakistan’s economy maintained its growth momentum during 2015-16 despite suffering from heavy losses in the agriculture sector.

According to a press release issued by the SBP on the release of its third quarterly report for 2015-16 on the state of Pakistan’s economy, industrial and services sectors’ growth accelerated on the back of better energy supply and improvement in security situation.

Other key macro-economic indicators also improved during 2015-16, the report noted. For example, average CPI inflation was almost half the level seen last year. Meanwhile, inflationary expectations also subdued.

“This ease in inflation primarily came on the back of continued low commodity prices in the global markets (and its swift pass through to domestic consumers, particularly for petroleum, oil and lubricants products), comfortable supplies of key food items, and stable exchange rate,” it said.

Another positive for the economy, as mentioned in the report, was the surplus in the external account during the first nine months of the year, which was led by largely contained oil payments, a modest rise in worker remittances and foreign currency loans.

Hence, the SBP's reserves reached $16.1 billion (aggregate reserves including banks) by end-March 2016. "This amount was sufficient to finance four months of the country's import bill, and more than twice the short-term payments," it added.

Fiscal indicators also witnessed broad improvement: the budget deficit reduced to 3.4% of GDP in Jul-Mar 2015-16 from 3.8% in the same period last year. More importantly, the country recorded a primary surplus during this period. Higher revenues, contained expenses and larger surplus from provinces led to this improvement in the fiscal account.

According to the report, besides subdued commodity prices, particularly oil, in the global market, the policy support also played a key role in improving macro fundamentals. An expansionary monetary policy for the last one and a half years, development focus of fiscal spending, particularly on infrastructure projects that also encouraged construction and related activities, better energy management and CPEC-related initiatives are a case in point.

The report also identified low investment rate, continued weakness in exports, slowdown in remittances, and a narrow tax base despite stop-gap measures by the government to increase tax collection as some of the key challenges for the economy. These need to be tackled through structural reforms so that the recent improvement in macro fundamentals can be sustained, it said.

http://tribune.com.pk/story/1134407/3rd-quarterly-report-2015-16-despite-losses-economy-continues-grow-sbp/

NEWS COVERAGE PERIOD FROM JUNE 20TH TO JUNE 26TH 2016
BALOCHISTAN BUDGET 2016-17: PROPOSED OUTLAY OF RS282BN AIMS TO BOOST INFRASTRUCTURE
Dawn, June 20th, 2016

Saleem Shahid | Nasir Jamal

QUETTA: Balochistan's Rs282.77 billion budget for the next financial year aims to massively boost its investment in transport, education, health, infrastructure and productive sectors and security to attract foreign investors and turn the province into a regional commercial and industrial hub.

Chief Minister Nawab Sanaullah Khan Zehri unveiled the deficit budget in the Balochistan Assembly on Sunday evening.

The government has pitched its development expenditure for the next financial year at Rs71.18bn, up by almost a third from the original estimates of Rs54.50bn for 2015-16. But the total available resources, including foreign project assistance of Rs6.18bn, are estimated to be Rs34.70bn, or less than half the size of the proposed development spending.

The difference between consolidated estimated revenues and consolidated expenditure stood at Rs37.53bn, but the government's decision to divert the surplus of Rs1.05bn in its food account for other budgetary operations pulled down the budget deficit to Rs36.48bn.

The total provincial consolidated fund for 2016-17 is estimated to be Rs289.37bn as it includes an expenditure of Rs6.58bn for state trading in food.

The budget was announced by the chief minister against the backdrop of a massive National Accountability Bureau's corruption investigation against his former provincial adviser on finance Mir Khalid Khan Langov and finance secretary Mushtaq Ahmed Raisani.

Both Langov and Raisani are in the custody of the anti-corruption agency, which recovered about Rs650 million in cash — in local and foreign currencies — from the finance secretary's home last month. NAB arrested Langov days after he resigned from his post to clear the way for inquiry into the case.

The budget size, excluding the food account, is just over 16pc heftier than the present year's Rs243.53bn.

The revenue estimates include federal transfers, including straight transfers of Rs196.84bn, tax and non-tax receipts of Rs9.12bn, GDS arrears of Rs10bn, ways and means debt of Rs17.70bn, loan recoveries of Rs5.38bn and foreign development assistance of Rs6.18bn.

The budget proposes current expenditure of Rs184.76bn on service delivery; of this, an amount of Rs30.26bn has been earmarked for security, Rs43.67bn for education, Rs17.37bn for health, Rs17.79bn for social protection and pro-poor subsidies and Rs28.29bn for general public services. Likewise, Rs26.83bn have been earmarked for the capital spending and Rs18.9bn for debt payments while an investment of Rs3bn will be made in the provincial pension fund and Rs1bn in the education endowment fund.

Mr Zehri claimed that the budget had been formulated with a view to tackling problems of common man by boosting development spending. He said his government had created `Balochistan Investment Board' in order to attract foreign direct investment to exploit natural resources of the province and encourage industrial and commercial activities.

He described the China Pakistan Economic Corridor (CPEC) as a game changer for the province as well as the rest of Pakistan and cautioned critics against impeding work on the project. He said Balochistan would soon emerge as the hub of regional commerce after completion of the project. He was hopeful that Gwadar port would play a crucial role in the prosperity and development of Pakistan in the coming years.

Therefore, he said, his government had allocated a considerable portion of its resources for projects that are important for the development of Gwadar, including New Gwadar International Airport, Gwadar Development Authority and clean drinking water for people.

He appreciated the federal government for spending the funds allocated for his province in the federal development programme for the outgoing year.

The chief minister made an indirect reference to ongoing low-intensity insurgency and religious militancy in parts of the province, saying the coalition government he is heading had made several laws to improve criminal justice system and control crime.

"We are allocating significant fiscal resources from current and development budget to improve performance of police and levies for eradicating terrorism and crime and making the province a secure destination for foreign investors."

He also spoke at length on the measures taken by the coalition government for improving the quality and expanding the coverage of public service delivery in the education and health. He said his government was paying attention to the development of agriculture, livestock, fisheries, etc., as these are major sources of livelihood for hundreds of thousands of households in the province.

He said the government would create 3,220 new jobs in the public sector. He announced an increase in the salaries and allowances of schoolteachers, doctors and pharmacists, and said hundreds of public sector jobs had been upgraded.

He said the pay and pension of government employees has been raised in line with the federal government's decision and minimum wage had been fixed at Rs14,000 per month.

Some major development initiatives for the next year announced by Mr Zehri included an allocation of Rs10bn for providing water from the Patfeeder canal under the Rs40bn Quetta Water Supply project, Rs5bn for special development package for Quetta, Rs2bn for Quetta Mass Transit system being established with the help of China, Rs1bn for the Quetta Green Bus project, Rs3bn for beautification of all divisional headquarters, and Rs1.5bn for bringing improvement to district headquarters hospitals.

Moreover, local councils will be provided a development assistance of Rs5bn while students will get laptops worth Rs500mn. Toilets will be made available at all public schools at a cost of Rs1bn.

The chief minister said that the government had been implementing austerity measures to cut expenditure and improve tax revenues in order to reduce its budget deficit. Among the initiatives taken during the outgoing year are the establishment of the Public Procurement Regulatory Authority and the Balochistan Revenue Authority, ban on purchase of luxury cars and medical treatment abroad, creation of a monitoring mechanism for development spending, computerisation of pension payments as well as the launch of a financial reforms programme with the help of foreign lenders.

http://www.dawn.com/news/1266029

SINDH BUDGET 2016-17: UNCHANGED APPROACH TO BUDGET-MAKING
Dawn, Business & Finance weekly, June 20th, 2016

Mohammad Hussain Khan

THE Sindh government's agriculture budget for 2016-17 has evoked a mixed response from growers. For some the budget presents no innovative ideas to pull farming out of its distressed state while others stress the government needs to ensure timely development spending to improve service delivery.

Some growers criticise what they call the government's misplaced priorities and its failure to address core issues despite agriculture growth falling to -0.19pc.

In his budget speech Sindh Finance Minister Murad Ali Shah announced subsidies for tractors, tubewells, 1,500 agricultural implements, 73 solar powered tubewells, etc.

The annual development programme for agriculture is pitched at Rs5.4bn against last year's Rs4.5bn, indicating an increase of 28.9pc.

Growers like Dr Syed Nadeem Qamar, president of Sindh Chamber of Agriculture (SCA), feel that the federal government has made a headway by announcing subsidies that were earlier withdrawn. He says that the Sindh government seems to be focusing on lining the main canals, such as Nara, which is a positive sign to ensure water conservation.

His anxiety is that important projects should be result-oriented and must have a positive bearing on the farm sector. He is concerned about the overall state of agriculture which, he says, is not encouraging. He adds seed development should be an area of concern.The cotton sector has been facing serious seeds issue which resulted in the drastic decline of cotton production.

According to the finance minister, a sum of Rs2000m has been provided for the Sindh Agriculture Growth Project and Rs3000m for the Sindh Irrigated Agriculture Productivity Enhancement Project. The allocations for ongoing schemes for development of agriculture are estimated at Rs4826.804m and for new projects at Rs967.196m.

Sindh Abadgar Board (SAB) president Mahmood Nawaz Shah is disappointed by the provincial budget and termed it a case of misplaced priorities.

“Ghotki is a cotton growing area and the cotton sector is not performing well for a variety of reasons. Regardless of this, the government is now going to establish an institute for a high delta crop like sugarcane instead of addressing current issues in cotton sector”, he remarks.

Similarly, he asserts, the finance minister’s budget speech doesn’t reflect how the government plans to stop the declining trend in prices of commodities. While the federal government has taken some steps for subsidising vital inputs in order to reduce increasing cost of production, the Sindh government has not yet shared its own plans.

SCA General Secretary Nabi Bux Sathio echoes similar concerns. He says that out of Sindh’s total ADP of Rs225bn, the agriculture sector would get Rs5.8bn which is inclusive of allocations of Rs4.82bn for on-going schemes.

Such allocation, he says, is probably about 2pc of the total development budget. He is dissatisfied with the meagre allocation of Rs266.43m for the research wing of the agriculture department against Rs439.78m of the extension wing; as with an ineffective research wing the agriculture extension department cannot do much. So, he says, these figures clearly reflect a disparity in allocations.

http://www.dawn.com/news/1265935

GOOD, BAD AND UGLY SIDES OF BUDGET 2016-17
The Express Tribune, June 20th, 2016.

Dr Manzoor Ahmad

ISLAMABAD: The discussion on the budget for 2016-17 so far shows that for the ruling party it is all good while for the opposition it is all bad. But everyone has been careful not to discuss another side of the budget, which is mostly ugly.

Those who feel all is good point out that the growth of GDP at 4.7%, industrial production at 6.8% and services at 5.7% are the highest since 2007, when the economy started nose-diving.

They would also boast about the inflation at 2.8% being the lowest since 2003 and foreign exchange reserves at $21.3 billion being the highest ever.

They could also take some satisfaction that the government is now taking some corrective measures for sectors such as agriculture and exports that were seriously neglected in the past.

Those on the other side of the aisle are pointing out that exports have dropped 14% from last year’s level, net foreign direct investment is at $1 billion, which is the lowest for the last four years, and agriculture growth is shrinking 0.19%, which was last seen in 2009.

For them, there is gloom and doom all around. They could also clamour about how the economy is choking from the manifold increase in corporate and indirect taxes. These include taxes on income from contracts executed abroad, alternative corporate tax on businesses, even if they are incurring a net loss, and continuation of super tax on certain businesses.

The worst is continuing with the past practice of increasing customs duties through various schemes. Whereas the rest of the developing world has been rapidly reducing reliance on taxes on international trade to become part of the globalised world, Pakistan is increasing its isolation.

Thus, the anti-export bias, which has been building up for the last three years, has been further accentuated in this budget.

Another bad feature of the budget reminds of a Japanese saying – “a nail that sticks out should be hammered”.

The government has been targeting sectors that have shown any growth potential. It has been doing this with the telecom sector and now it is the construction industry, which has been showing some promise and last year grew 13.1%.

After levying regulatory duties on essential construction material such as iron and steel bars, now it has targeted the cement sector through higher central excise duty. Unlike other countries, do we not realise that the construction sector is one of the main drivers of economic growth?

Ever since the ruling party came to power, its infatuation with metros and roads has meant that it has to cut all other essential needs such as water, education and health.

For example, allocations to deal with water scarcity have been substantially reduced while allocations for education and health, which are amongst the lowest even in South Asia, remain almost stagnant.

One could imagine that with falling foreign direct investment, we would be careful not to create panic among the existing investors who are putting up with difficult conditions.

Through the new auto policy, existing investors were stopped from making any new investments. Now with new taxes on the dairy sector and the subsequent blockage of the growth of milk packaging, the government seems to be compelling Nestle and other potential long-time investors to move elsewhere.

The ugly side of the budget, which is likely to be swept under the carpet, is that after meeting the debt servicing cost of Rs1,803 billion, the federal government is left with just Rs977 billion from its revenues to meet all its expenses.

This is not enough even to meet the defence expenditure (including military pensions) which this year surpassed Rs1 trillion.

Still another ugly matter, which is not likely to be discussed, is that contrary to its claims of levelling the playing field, the government has singled out several Chinese companies for special customs duty and tax concessions.

By picking some favourites, the government has ensured that no other company, including the local ones, can bid and compete against the chosen companies. This will not only make Pakistan’s position untenable if any country were to challenge this measure at the WTO, it would also ensure that the exempted companies can include forgone revenue in taxes as their profit.

While there is a need to speak about the good and bad aspects, there is also a need to address the ugly side of the budget.

http://tribune.com.pk/story/1125895/debate-good-bad-ugly-sides-budget-2016-17/

ARE WE MARCHING TOWARDS BLACK ECONOMY?
Business Recorder June 21, 2016

It seems that the government through its economic, fiscal and monetary policies is trying to divert the national economy towards black and undocumented economy. The last two budgetary measures have strengthened this perception. The current budgetary proposals are also being criticised on the same grounds.

It seems that it has been prepared in haste and is directionless. The proposals do not represent any clear policy vision. It seems that the government’s basic objective is just to collect more taxes at whatever source, even it is collected by taxing the already taxed segment.

The current budget proposals mainly rely on taxing heavily on non-filers through increased withholding taxes and thus making a very clear distinction between filers and non-filers. This distinction has in fact legalised the status of non-filers.

Heavy taxation measures imposed upon non-filers have forced this class away from banking system and a parallel black economy is emerging at a faster rate. A substantial amount of capital has moved out of the banking system and have become part of undocumented black economy.

Transfer of funds within the country is being channelled through 'Hawala' system. Most of the capital has been diverted towards real estate sector where it is easier to whiten black money due to its lower official valuation compared with its market valuation. That is why the real estate prices have doubled during this period.

These are now out of reach of a common man. The real estate investment is considered as a safe tax haven for non-filers. The federal and provincial governments, both are aware of the serious consequences of this development, but no steps have been taken to check this activity. If it is allowed unchecked, it may have devastating effects on our economy and may impact the entire banking sector.

As substantial capital has been diverted towards real estate sector, there is serious concern that a lack of investment in other productive sectors would result in serious unemployment issues, as thousands of youth coming out of universities every year are likely to remain jobless. Not only does this sector fail to generate enough tax revenue for the government, it has also failed to create new job opportunities compared to other productive sectors.

The issue of taxing real estate sector always got muddled on the question of jurisdictions of Federal or Provincial governments that we have never been able to resolve. This unresolved issue has benefited the tax evaders.

The present culture of greater reliance on withholding taxes is resulting in higher prices. The withheld taxes are being treated by taxpayers as an additional cost and therefore, this 'additional' cost is being recovered from the customers through higher prices.

This leads us to conclude that the taxpayer still gets his tax-free income no matter whatever amount has been deducted as withholding taxes. The government should seriously look into the justification of greater reliance on withholding tax regime; it must consider its gradual withdrawal to ensure that even non-filers do not get away just by paying withheld taxes only.

It is yet to be seen if all withheld taxes from various sources are deposited into the government treasury and nothing is misappropriated as the efficiency of tax collection system and its reconciliation process seems fairly questionable.

We are fully aware that there are filers who do not pay taxes either because their income is below the tax threshold or they may have current or previous years' losses. Therefore, the greater emphasis of increasing the number of filers has been over-emphasised.

Even if the tax filers' number doubles, there is no guarantee that collection of taxes would be enhanced if their taxable income as a whole does not increase. Therefore, we need a double digit growth of national economy to ensure enhanced revenue through equitable taxation without any distinction between filers and non-filers.

There is strong evidence that the Federal Board of Revenue in its current structural form may not be capable to handle so many tax filers judiciously. We are not sure if the Finance Minister is aware of the fact that most of the notices that were sent to the so-called tax evaders were in fact sent to the assesses who were already paying their taxes honestly.

We need to develop and improve tax collection system that is based upon mutual trust between the taxpayer and the tax collecting agencies. Taxes cannot be collected through harsh measures and threats. This attitude has driven away the taxpayers from paying taxes voluntarily.

I would like to draw the Finance Minister's attention to the threatening and abusive language of Notices and Correspondences being issued by FBR officials to those assesses that are already paying substantial taxes.

The present budgetary system has been based upon the presumption that it is easier to collect more taxes by taxing more who are already heavily taxed.

This is considered an easy way to meet the taxation targets without realising that we are killing the same goose that lays golden eggs as the taxpaying capacity is being continuously exhausted. The current Budget proposals are in fact a confirmation of this presumption. We need to change this mindset and tax judiciously and in an equitable manner.

The current budgetary proposals have increased the holding period of securities from four years to five years to avail total exemption from capital gain tax. This is being done for the last three years continuously. This upward revision has tarnished government's image and the trust level on government policies seems to have disappeared.

Similarly, to fulfil a promised reduction of Corporate Tax rate by 1 percent, the government had to maintain Super Tax that was imposed last year for only one year. This has resulted in eroding the impact of reduced corporate tax. Needless to say that it has also eroded the trust and integrity of the government.

The imposition of Super Tax is harsh and has burdened the businesses. The government should immediately withdraw this tax to restore confidence among taxpayers as it was initially imposed for only one year.

The current budget proposals include taxation measures that are likely to adversely impact revenues of Insurance companies. Income from all sources of these companies would be clubbed together and would be taxed at normal corporate tax rate with Super Tax if applicable.

Basically, it means that income from dividends and capital gains would be taxed at corporate tax rate. It seems unfair as dividend income and capital gains tax have been taxed at reduced rates for all other taxpayers. There seems to be no justification to introduce different rates for different taxpayers. This is another example of taxing the taxed segment irrationally.

Similarly, the tax rate on stock exchange brokers has been doubled on shares trading by increasing it from 0.01 percent to 0.02 percent without any justification. It has suddenly doubled the cost of providing brokerage services to investors without realising that the new brokerage regime has already increased the cost of doing business for this sector due to which several brokerage houses are in the process of closing down their businesses.

The government should adopt a consistent long-term policy for investors and business community so that they should be able to plan their investment and business strategies accordingly. The budget should provide a clear direction to the nation regarding the national economy, its growth and how the government intends to resolve the important national economic issues.

http://www.brecorder.com/articles-a-letters/187:articles/58814:are-we-marching-towards-black-economy/?date=2016-06-21

BUDGET APPROVED BY NATIONAL ASSEMBLY
Business Recorder, June 23, 2016
Naveed Butt & Aamir Saeed

The National Assembly on Wednesday approved the federal budget, including the Finance Bill, incorporating some amendments of the government and recommendations of the Senate for fiscal year 2016-17. Federal Finance Minister Senator Ishaq Dar moved the Finance Bill in the Lower House and it was approved following a thorough discussion on it. The house approved the bill by rejecting all amendments moved by the opposition members.

All the proposed recommendations of the Senate and the National Assembly have been incorporated in the Finance Bill through amendments. The house approved a total of 112 supplementary demands for grants and appropriations worth Rs 261 f or the financial year 2015-16. While winding up debate on the Finance Bill, the Finance Minister said the government has introduced an "unhappy amendment" in the Finance Bill about input adjustments between the provinces and the federal government.

The government will withdraw the amendment about withholding tax regarding the provinces through an Ordinance if the matter of receivables and payables is settled amicably by June 30, 2016, he said. The minister, however, appreciated the role of the provincial tax collection authorities, saying the provinces have the capacity to collect taxes on agriculture and income.

Talking about the refunds from Federal Board of Revenue, the minister said he is trying to settle the issue of refunds once for all by August 31 through an out of the box solution. The minister said the ratio of direct taxes has increased from 38 percent to 42.4 percent. Talking about the CPEC, he said a country progresses through foreign direct investment rather than getting the foreign loans, he said, adding that a Free Trade Agreement was signed with China in 2007.

The minister said it is a shared prosperity of both China and Pakistan while work on the western route was also being carried out as agreed by all in the All-Parties Conference. About Swiss accounts, he informed the members that he has got a summary approved from the cabinet for a bilateral treaty with Swiss government to get information for the infamous Swiss accounts.

He said negotiations are under way with the Swiss authorities and the next meeting is scheduled to be held on June 25, 2016. The minister said if an agreement is reached between Pakistan and the Swiss government, then the latter will give Pakistan an amount of special tax of 10 percent on dividends. The minister said a parallel process of getting access to accounts of Pakistanis in foreign countries is also being followed with Organisation for Economic Cooperation and Development (OECD) and almost 100 countries have already signed the multilateral forum.

"The exchange of information among the member countries would be spontaneous and auto," he said, adding that Pakistan would get the membership of the OECD in the next couple of months, while the organisation may be operational in July 2017. He also clarified the government has imposed no tax on stationery.

The minister said that volume of re-appropriations and supplementary grants was Rs 1439 billion in 2012-13, but now they have reduced it to Rs 261 billion. He said the supplementary grants are part of the process as the government cannot predict future events like floods and some other untoward incidents.

About salaries, perks and privileges of the parliamentarians, he informed the members that four amendments have been introduced in the Finance Bill and implementation on salaries, perks and privileges of the members would be done through a notification following a discussion with the prime minister.

He said all parliamentary parties have been unanimous in increase of salaries; therefore amendments have been introduced to avoid the need of promulgation of an Ordinance. The minister also announced that the government has decided to give three basic salaries as an honorarium to all staff of the National Assembly, state media and security officials of the parliament. Earlier, the house also approved Rs 1.5 billion for demands for grants of Ministry of Petroleum and Natural Resources.

http://www.brecorder.com/market-data/stocks-a-bonds/0/59395/

NEWS COVERAGE PERIOD FROM JUNE 13TH TO JUNE 19TH 2016
BUDGET 2016-17: GAINERS AND LOSERS
Dawn, Business & Finance weekly, June 13th, 2016

Dilawar Hussain

FROM a vantage point, the budget 2016-17 was widely regarded by market participants as ‘neutral’.

The budgetary measures for the fertiliser, textile and pharmaceutical sectors were generally assessed to be ‘positive’; for the oil and gas exploration and production companies, oil marketing companies, refineries, power companies, chemical companies, telecoms, automobiles, and gas distribution companies, the budget was also largely marked as ‘neutral’.

For commercial banks it was thought to be ‘neutral to negative’ while for the fast moving consumer goods (FMCG) companies; steel sector and insurance firms the budget was considered outright ‘negative’.

Views varied on the budgetary impact on the cement sector ranging from positive-to-neutral-to-negative. The following conclusions have been drawn from a study of post-budget reports prepared by various brokerage houses including InvestCap; Global; BMA Capital; Intermarket; Foundation; Topline and Standard Capital.

Textiles: The textiles sector has emerged as a major beneficiary of the budget mainly due to the grant of the zero-rated status to the export oriented sector; a change from the previous 5pc, along with the reduction of the Export Refinance Rate (ERR) to 3pc from 3.5pc.

While the grant of the zero-rated status was expected to resolve the issue of tax refunds held with the government, the cut in the ERR is likely to lead to lower financial charges, resulting in a positive impact of 1 to 2pc on major textile firms. These firms include Nishat Mills and Nishat Chunian — the two biggest in the sector. The sector’s powerful lobby, the All Pakistan Textile Manufactures’ Association, acknowledged the incentives provided to the industry in post-budget newspaper advertisements.

Commercial Banks: An extension of the super tax at 4pc for one more year was calculated to hurt bottom-line of all banks by six to 7pc. This was in addition to the recent paradigm shift wherein the State Bank of Pakistan’s policy rate was cut by 25bps to 5.7pc. Banks also viewed the increase in withholding tax for non-filers as resulting in stunting the generation of new deposits. The government’s recent guarantee of up to 50pc of agricultural credit would provide comfort and encourage lending in banks.

Fertiliser: The government announced a Rs36bn subsidy for urea; Rs10bn subsidy for DAP and a reduction of GST on urea to 5pc from 17pc. The cut in subsidies is meant to revive the agricultural sector by lowering the urea price to Rs1400/bag from Rs1,780/bag, and that of DAP to Rs2,500/bag from Rs2,800/bag. Optimists said that the price reduction should improve the sector’s urea sales in 2016 and help clear out large urea inventories, which were thought to be 1.2m tonnes at end April 2016.

Cement: The big positive for the cement sector was the increase in the public sector development programme allocation by 21pc to Rs1.7trn. An extension of tax credit on BMR at 10pc unto June 2019 was positive for companies considering expansion, such as Cherat; Attock; DGKC and Lucky. On the flip side, the change of Federal Excise Duty (FED) to Rs50/bag replacing 5pc, would make each bag of cement dearer. If unable to pass on to consumers, cement companies were likely to see earnings attrition of around 9pc to 18pc.

Pharmaceuticals: The budget has reduced customs duty on various key raw materials used in the production of medicines such as anti allergens to 3pc from 5pc. This could expand gross margins for companies such as Abbott; Glaxo, Searle and Hinoon. Moreover, a limit on advertising expenditure for pharmaceutical firms has been set at 5pc of turnover; although since companies currently confine their advertising budgets to 3.5pc of turnover, no cut back on promotions is likely to emerge.

FMCG: The budget has proposed to abolish packaged milk from the zero-rated scheme, and impose an additional regulatory duty of 25pc on the import of powdered milk and whey-powdered milk. As powdered and whey-powdered milk are raw materials for Engro Food’s skimmed milk, the company’s cost of production may rise. Nestle also markets packaged milk. The FED on aerated beverages has been cut to 6pc from 12pc which would eliminate differentiations between aerated beverages and its substitutes such as fruit juices.

Automobiles: Measures have been taken to ensure that the auto policy, which will be applicable starting FY17 for a period of five years, is implemented swiftly. Banks and leasing companies would collect an advance tax at 3pc on the lease of cars from non-filers at the time of lease. The move was likely to affect potential sales of automobiles negatively as over 30pc of cars are currently sold and purchased via leasing facilities.

Insurance: Insurance companies have been saddled with the imposition of a uniform tax rate of 31pc on all sources of income. The incentive of a variable tax rate from different sources has been withdrawn.

Adamjee Insurance was likely to be the biggest loser, with its underwriting income barely breaking even, major contribution to its bottom line comes from dividends and capital gains from its investment portfolio, currently taxed at 12.5pc (7.5pc for power companies). Similarly EFU General is also likely to see an adverse impact on its bottom-line.

http://www.dawn.com/news/1264527/budget-2016-17-gainers-and-losers

RS1.452TRN PUNJAB BUDGET SEEKS TO CREATE 500,000 JOBS
Dawn, June 14th, 2016

Nasir Jamal

LAHORE: Punjab's Rs1.452 trillion budget for the next financial year proposes to create half a million jobs in the province through a massive development investment of Rs550 billion in large infrastructure, transport, irrigation, agriculture, water supply and energy projects, as well as heavily subsidise smallholders and landless cultivators.

The ambitious development programme will be financed by a revenue surplus of over Rs435bn and a soft foreign debt amounting to Rs115bn, including a Chinese loan of Rs85bn for the controversial Lahore Orange Line Metro Train project.

About 86pc of this amount constitutes the core provincial annual development programme (ADP) and the rest is qualified as 'other development initiatives'.

The proposed development investment for the financial year 2016-17 is 37.5pc bigger than the original estimates of Rs400bn, including core development spending of Rs333bn, for the outgoing fiscal, provincial finance minister Ayesha Ghaus-Pasha said while presenting the budget on Monday amidst continuous heckling by the Pakistan Tehreek-i-Insaf-led opposition. The Shahbaz Sharif government expects to utilise three quarters of the development funds by the close of the outgoing year.

The current expenditure of the government has been pitched at Rs850bn, up by 12.88pc from original estimates of Rs753bn for the outgoing year. A little more than half of the current budget has been set aside for general public services, including transfer of Rs274bn to the local governments, 15.60pc for police, courts and public safety affairs, 14.41pc for agriculture, irrigation, industries, etc, 8.3pc for health and 7.5pc for education.

The current expenditure also includes allocations of Rs63bn for providing subsidies to the poorer segments of population, including smallholders and landless growers in the province, the minister told Dawn after the budget speech. The major chunk of the subsidies is set aside for supplying cheap fertilisers to farmers under the federal Kisan Package and providing interest-free credit of Rs30bn to the growers.

The rest of the money will be spent to share the cost of public transport travel and provision of interest-free loans to youths. Other major current expenditure includes foreign debt repayment of Rs16.55bn and allocation of Rs10bn for capitalisation of the Punjab Pension Fund.

More than 70pc of the provincial income, or Rs1.04trn, is estimated to come as federal transfers under the National Finance Commission award. Almost one-fifth of the income, Rs280bn, will be raised from provincial taxes and non-tax resources, and the rest 10pc, or Rs147bn, through foreign loans.

The provincial government has increased its tax revenue collection target for the next year by 13pc to Rs184.436bn from the original estimates of Rs160.59bn for the current year. This also includes general sales tax (GST) on services target of Rs85.500bn, up by about 19pc from the current year.

The finance bill for the next financial year proposes to extend the scope of GST on services to two more services – cosmetic surgery and hair implants and warehouses and cold storages. Additionally, it recommends extending the coverage of property tax to vacant plots of land and increase motor vehicle tax on imported cars above engine strength of 1300CC.

The government plans to spend around Rs230bn on its wheat procurement operations next year, which will raise the size of the provincial consolidated fund to a whopping Rs1.68trn.

Minister Ayesha Ghaus-Pasha told Dawn that she intended to increase tax revenues through better management and administration rather than imposing new taxes or increasing their rates burdening the taxpayers.

“The major objectives of our tax policy are to discourage speculative investment and encourage people to invest in productive sectors for creating jobs,” she said. “The extension of provincial property tax coverage to include vacant plots of land is an indication of our intent and our objective.”

In her budget speech, the minister spoke at length of the government’s vision for economic growth to convert Punjab into a secure, economically vibrant, industrialised and knowledge-based province under its growth strategy 2015-18. She said the government was creating an investment-friendly environment to attract private investment in the province for job creation.

The minister said the government had allocated over 31pc, or Rs173bn, of its development budget for various education, transport, irrigation and other sectors, including Multan Metro Bus project, an engineering and information technology university and cadet colleges.

She said the provision of education, healthcare, clean water and security were the top priority of the Punjab government and it will spend 57pc of the budget on these sectors. She said the budgetary allocations for education have been spiked by 47pc and for school education by 71pc. The health allocations are 62pc higher than the current year.

Similarly, the increase in the funding for agriculture, irrigation, livestock, forests, fisheries and food has been estimated 47pc greater than the outgoing year. She said the province had designed a Rs100bn support programme for the agriculture sector in addition to implementing the Rs150bn rural roads programme to connect farms with markets.

She also talked about the measures the government was taking to improve governance through computerisation of land revenue record and formation of E-Khidmat centres at divisional headquarters to provide the citizens 14 services under one roof. The centres have already started working in Lahore, Rawalpindi and Sargodha.

http://www.dawn.com/news/1264687

KP BUDGET 2016-17: KP UNVEILS RS505 BILLION BUDGET
Dawn, June 15th, 2016

Manzoor Ali

PESHAWAR: Khyber Pakhtunkhwa's Rs505 billion budget for the financial year 2016-17 sets aside Rs161bn for the annual development programme (ADP), including Rs36bn foreign assistance, and proposes to create 36,232 jobs, mostly in the health and education sectors.

KP Finance Minister Muzafar Said, who presented the budget in the provincial assembly on Tuesday amid slogans by opposition members, termed it a balanced budget.

The current budget's outlay is Rs17.12bn or three per cent higher than that of outgoing year's Rs487.88bn.

The budget document suggests that the province faced a revenue shortfall of Rs56.64bn in the outgoing year as it generated Rs431.24bn against a target of Rs487.88bn. The government also admitted to slashing the outgoing ADP to Rs135bn from estimated Rs174bn.

The government's current expenditures have been pitched at Rs344bn, up by 10pc, from Rs313bn set for the outgoing year.

The budget has set aside Rs344bn for administrative expenditures and Rs161bn for the ADP. The current revenue expenditures have been pitched at Rs333bn.

An amount of Rs222bn has been set aside for general public services, Rs15.091bn for defence affairs and services, Rs41.96bn for public order and safety, Rs18.341bn for economic affairs, Rs890 million for environment protection, Rs4.3bn for housing and community amenities, Rs19.6bn for health, Rs1bn for recreation, culture and religion, Rs19.520bn for education affairs and services and Rs5.94bn for social protection.

The budget document suggests that the KP government has thrown caution to the wind while fixing its revenue targets and the ADP formulation. The projections contained in the document are inflated and in contrast to the finance department's calls for fiscal realism and curtailing the size of ADP, which it espoused in its two budget strategy papers.

In the outgoing year, the provincial government faced severe resource crunch on account of its unrealistic revenue estimates.

Federal transfers under the National Finance Commission (NFC) award to the tune of Rs346.146bn will make for about 68pc of the province's revenue. The province is also slated to get Rs33.704bn in lieu of net hydel profit proceeds and its arrears.

An amount of Rs49.507bn will be raised from the province's own tax and non-tax revenue and Rs75.605bn from foreign aid and other sources.

The province's own tax and non-tax receipts target at Rs49.507bn suggest that the government has learnt nothing from its last year's experience and reflected unrealistic and speculative projections, including generation of Rs12.70bn from commercial use of state land. In the outgoing year, the finance department managed to receive over Rs25.48bn against a target of Rs54.42bn in lieu of province's own tax and non-tax revenue.

The proposed development expenditure of Rs161bn will be 8pc less than that of the outgoing year. It envisages core development component of Rs91.1bn, while Rs339bn will go to the districts for development initiatives. The province is set to receive Rs36bn for foreign-funded development projects. KP will also make internal borrowing to the tune of Rs12.20bn to ensure financing for various ADP projects. The ADP portfolio comprises 1,516 projects – 1,237 ongoing and 279 new ones.

The KP finance minister claimed that the government had devoted most of the resources to ongoing schemes for public benefit.

The finance bill proposes to increase the rate of annual tax on vehicles. It also proposes to authorise the KP Revenue Authority to include facilities for travel by road, cargo service by road, visa processing services, including advisory and consulting services for foreign education and migration, and valuation services, including competency and eligibility testing service, in its first schedule to bring these into the ambit of sales tax.

Fees on stamp duty instruments on affidavits, allotment orders and arms licences have also been increased. The budget proposes to increase electricity duty and bring down tax fee on transfer of immovable property from two to one per cent.

The finance minister announced a 10pc increase in salary of government employees, while setting the minimum wage at Rs14,000. Pensioners will also get a 10pc hike from July 1, while those over 85 years of age will be entitled to a 25pc increase in their pension.

He said the government would create 36,232 jobs, mostly in health and education sectors, while health insurance would be expanded to all areas of the province with an estimated cost of Rs3bn. The government will provide health insurance facility to the tune of Rs175,000 per annum to benefit 10 million poor households.

He said the government had also approved the construction of Swat expressway under public-private partnership with an estimated cost of Rs34bn and was also planning to introduce 100 air-conditioned buses in Peshawar by the end of this year. The 23km rapid bus transit for Peshawar costing Rs20bn will be completed by Dec 2017 and 250 million trees will be planted under the Billion Tree Tsunami Programme.

http://www.dawn.com/news/1264953/kp-budget-2016-17-kp-unveils-rs505-billion-budget

BALOCHISTAN TO UNVEIL RS278BN DEFICIT BUDGET TOMORROW
Published in Dawn, June 17th, 2016

Saleem Shahid

QUETTA: The Balochistan government will present the budget for the next fiscal year on June 18. The governor has already summoned the budget session of the Balochistan Assembly, but it has yet to be decided who would present the first budget of the coalition government led by Chief Minister Nawab Sanaullah Khan Zehri.

Sources in the finance department said the total outlay of the next fiscal year's budget would be around Rs278 billion, with an annual development programme (ADP) of over Rs60bn. Moreover, it would be a deficit budget. Half of the ADP allocations would be allocated for greater Quetta water supply project, railway mass transit scheme project, launching of a green bus service in Quetta and development of divisional and district headquarters.

The financial managers of the provincial government proposed allocation of Rs10bn for the greater Quetta water supply project in view of the acute drinking water shortage in the provincial capital as underground water level has been depleted up to over 1,500 metres and most of water resources supplying water to Quetta have dried up.

Besides, Rs2bn is expected to go for railway mass transit system project making it part of the China-Pakistan Economic Corridor. A Chinese company recently signed a memorandum of understanding with the Balochistan government for conducting a survey and preparing a feasibility report of the proposed project.

The provincial government also decided to launch green bus service in Quetta and has proposed to allocate Rs1bn for the project to tackle increasing transport problem.

Moreover, in view of numerous civil problems faced by the divisional and district headquarters of the province, the government has proposed allocation of Rs10bn, a part of which would be spent on providing citizens with basic facilities, including drinking water and health care.

A sizeable amount would also be allocated to construct and improve roads of Quetta and other divisional headquarters.

The provincial government has also decided to award contracts of all big projects, including greater Quetta water supply project and road construction, to the leading construction companies who were working on different projects in Punjab and other provinces.

"We want all the projects being proposed in the upcoming budget to be completed in time with quality work," a senior official of the Balochistan government told Dawn, adding that there would be no compromise on the quality of the work.

Sources said the government has decided to provide maximum development funds for the collective new development schemes and avoid further increase of throw-forward which has already reached around Rs180bn. It would increase to Rs200bn if those ongoing schemes were not abandoned.

It was learnt that the government considered abandoning such schemes which were launched by the previous governments on political pressure of MPAs. "Funds would be allocated for collective-nature development projects in the future and all individual-nature MPA schemes would be discouraged," the official said.

At present, 2,250 ongoing development schemes launched during last three successive governments need huge funds for completion.

http://www.dawn.com/news/1265273

AN ENDURING PARTNERSHIP
The Express Tribune, June 17th, 2016.

Wencai Zhang

Pakistan has all that's required to be a star economy in Asia. From the pristine coastline of Gwadar in the south to the spectacular mountains of the north, it's a resource-rich country located near the massive economies of China and India. More importantly, it has a young and dynamic population. Every time I visit Pakistan, I go home convinced of its ability to surmount development obstacles.

I am impressed with the way Pakistan overcomes strife and conflicts which in the past have hampered development. I admire the resilience of Pakistanis in coping with devastating natural disasters such as the 2005 earthquake and the 2010 super floods.

The year 2016 marks the 50th anniversary of the Asian Development Bank's (ADB) establishment — I am proud to see that Pakistan and ADB's bond is stronger than ever, as we cooperate to fight poverty and boost prosperity.

Pakistan joined ADB as a founding member in 1966. Since then, we have dealt with multifaceted development challenges. By December 31, 2015, ADB had provided more than $27 billion in loans and over $531 million in grants to support Pakistan's growth and development. We have built classrooms and trained teachers — benefiting millions of students — and brought clean drinking water to remote villages and growing cities. Thousands of kilometres of rural roads as well as highways have been constructed.

We have been supporting policy reforms in various sectors, particularly in the energy sector. A reliable energy supply is critical to achieving prosperity. In Pakistan, ADB is financing hydropower projects, gas-fired power plants, energy-efficiency programmes, improved transmission and distribution systems, and innovative clean-energy initiatives such as wind and solar power projects.

In 2015, ADB approved a combined loan assistance of nearly $1.4 billion for two energy sector programmes. Our partnership has stood the test of time. In addition to strategic development assistance, ADB has responded swiftly to meet the country's emergency needs.

The 2010 and 2011 floods affected about 20 million people. The ADB mobilised loan assistance and grants to help the government rebuild 347km of national highway to higher standards and improve 923km of provincial roads in Sindh. This enabled millions of families to resume their home and work lives.

The ADB assistance also rehabilitated about two million hectares of agricultural land through the rebuilding of embankments, canals, and drainage systems.

Together, ADB and Pakistan have made much progress. But we need to do more. With climate change threatening water security, ADB is working with Pakistan to upgrade obsolete irrigation infrastructure — including key barrages — to reduce water losses and improve delivery systems. This will help millions of farmers and enhance food security for a growing population.

To address all these challenges, Pakistan should step up efforts across a number of fronts. Sustained reforms are needed to alleviate power shortages, increase the efficiency of public sector enterprises, expand fiscal space, foster a competitive business environment and liberalise trade.

The country's workforce should be equipped with the skills needed to help it compete in global markets and increase productivity. A Disaster Management Fund would bolster disaster resilience, as well as emergency response and reconstruction capacities. Pakistan's economic future will be bright if it can grasp the opportunities presented by its strategic location.

Ongoing and planned investments under the China-Pakistan Economic Corridor and the Central Asia Regional Economic Cooperation (CAREC) programmes, as well as other regional cooperation initiatives, can put Pakistan's growth on an upward trajectory. Pakistan will host the CAREC Ministerial Conference this year, as well as other events including an energy sector investment opportunity seminar.

http://tribune.com.pk/story/1124228/an-enduring-partnership/

NEWS COVERAGE PERIOD FROM JUNE 6TH TO JUNE 12TH 2016
GOVT 'OVERSPENT' RS 261 BN IN FY 2015-16
Dawn, June 6th, 2016

Khaleeq Kiani

ISLAMABAD: Despite the government's protestations of "fiscal discipline", Finance Minister Ishaq Dar has sought parliament's post-facto approval for a Rs261 billion 'supplementary budget' to cover massive governmental expenditure overruns in the outgoing fiscal year, almost 28pc higher than the figure approved last year.

Many of these overruns could be described as extravagant and avoidable expenses in view of the austerity policy currently in place, a senior government official said. For example, about Rs15 million was spent on the purchase of vehicles by the Prime Minister's Office and an additional Rs15m paid to ministers and ministers of state as TA/DA.

Similarly, Rs822m was spent by the Foreign Office on the purchase of 35 'high security vehicles', and Rs107m was given to the Capital Development Authority for the construction of Kazakhstan's embassy in Islamabad.

Another Rs109m was spent by the Ministry of Foreign Affairs on the purchase of an unspecified number of vehicles, despite a ban on the purchase of new vehicles.

According to budgetary documents placed before parliament, approval has been sought for Rs260.88bn in supplementary grants. Of these, grants worth Rs158.88bn are of a ‘technical nature’, while Rs102bn are expenditure overruns or additional expenses that are likely to place an additional burden on the budget.

A cursory look at the budget documents suggests that some of these additional burdens pertained to the purchase of luxury vehicles for cabinet members and the prime minister’s staff, as well as advertisements, ministers’ allowances, the refurbishment of accommodations for judges and unexplained expenses by intelligence agencies, under the additional expenditure head.

On the other hand, some of these additional expenses include projects of national importance, such as the creation of a special security division for Chinese workers, the strengthening of the civil armed forces and the payment of overrun subsidies to some private entities and sugar barons.

A finance ministry official explained that a major chunk of supplementary grants pertained to technical re-appropriations — the shifting of funds from one head to another or debt rollovers — that had no additional impact on the budget.

However, he confirmed that regular supplementary grants had been significant over the last three years. These included Rs65bn in 2013-14, Rs139bn in 2014-15 and Rs102bn this year, despite the government’s austerity policy.

In its written statement, the finance ministry says that regular supplementary grants were meant “to provide for expenditure purposes that were not foreseen at the time of finalisation of demands for grants. Such supplementary grants put an additional burden on the budget”.

But surprisingly, the ministry was not able to foresee the massive expenditure of Rs102bn when it was formulating the last budget.

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

For example, despite repeated claims that subsidies will be slashed, the government has actually exceeded subsidy allocations by around Rs45bn, which has now been charged in the budget. Another Rs44bn has been spent on the generic and unspecified head ‘others’.

An even greater amount — Rs33bn — was paid to K-Electric as tariff differential subsidy. Around Rs12bn subsidy was given for rice and cotton, Rs1.6bn support was extended for sugar export and Rs17.8 billion was paid to power companies against receivables from Fata. A Rs5bn contribution was also made to the Asian Infrastructure Investment Bank.

A Rs1.23bn grant was used on the establishment of a dedicated network for sharing classified data and the purchase of jammers by the Intelligence Bureau. Interestingly, the Cabinet Division paid Rs375m for maintenance of the Pakistan Metro Bus System, while Rs50m was paid to the labourers working on the project as a reward for its timely completion.

An additional expense of Rs30bn was made by the armed forces, including Rs20bn for the creation of a special security division to protect Chinese workers, Rs5bn for “IS duty allowance”, Rs3bn for unspecified capacity-building exercises and Rs60m for the Youm-i-Azadi Show on August 14.

An amount of Rs45m was spent on international arbitration against Agility – a firm engaged by the Federal Board of Revenue. An amount of Rs2bn was spent on 6th Population and Housing Census, which could not take place as planned. Around Rs1.528bn was spent on government advertisements, beyond the funds authorised by parliament.

At least Rs13bn was paid separately to the Frontier Corps in Khyber Pakhtunkhwa and Balochistan and Rs5.1bn was given to Pakistan Rangers in Sindh and Punjab. The National Accountability Bureau paid Rs525m for international arbitration in a case against M/s Broadsheet.

Although Rs100bn was separately allocated in the development budget for temporarily displaced persons and security enhancement, an additional Rs15bn was paid for TDPs and related support services of Operation Zarb-i-Azb. The ministries of water and power and petroleum also spent an unauthorised Rs1.5bn on unspecified 'services rendered'.

A major part of the expenditure overrun was unavoidable to some extent, given the overall economic condition, the deterioration of public-sector companies and poor fiscal management. However, several expenditures, including extravagant spending on publicity, travelling and medical allowances for ministers, advisers and top bureaucrats, could have been avoided.

http://www.dawn.com/news/1263090/govt-overspent-rs261bn-in-fy-2015-16

THE LURKING RISKS
Dawn, June 7th, 2016

Farhan Bokhari

FINANCE Minister Ishaq Dar's promise in the annual budget of ushering in an era of recovery following a period of economic gloom, only deserves to be taken with a pinch of salt. Pakistan's economy faces the twin challenges of low growth coupled with an ever-growing institutional crisis that continues to plague prospects for the foreseeable future.

For Islamabad's ruling policymakers, the solution for now appears to be that of throwing more money to tackle a recent downturn that left unattended will inevitably fuel political discontent. In the past, protesting farmers dumping truckloads of potatoes in central Lahore, though an unpalatable sight to the general public, had no immediate political effect.

But less than two years before the next parliamentary elections, a wake-up call across the corridors of power has thrown the political establishment to rush into action. Suddenly, the 60pc Pakistanis who gain their wages through crops have become more pertinent to official policymakers, possibly overshadowing the stakeholders with an interest in fancy and wasteful schemes like metro buses or fast urban trains.

A drop in prices of chemical fertilisers and electricity tariff in the budget, hardly an act of magnanimity by Prime Minister Nawaz Sharif's regime, is driven more by Pakistan's expected political trends. Come 2018, last year's crash in cotton production and the first-ever contraction in agricultural output in over two decades, left unattended will translate into votes lost for the PML-N.

The gap left behind in the government's agriculture-related response, however, smacks of a wider problem. Pakistan remains afflicted by the worst challenge surrounding its institutions, amplified over the decades and still left unattended. In agriculture, from the high corridors of so-called research institutions in Islamabad to the extension services across the districts, dysfunctionality remains the daily norm.

It's not surprising that farmers in financial ruin, notably those already on low incomes, have practically no help from the community of research outfits created in the name of key crops. And similarly, anecdotal evidence suggests that the guys in the districts employed under the agriculture extension services, remain squarely dedicated to supporting those with political clout. It is obvious that the providers of such services have no time for common farmers.

Meanwhile, Pakistan's rapidly eroding canal irrigation system suffers from growing inefficiency, thanks to decades of neglect and adding to the multiple maladies surrounding agriculture. For the tail-enders (water users at the tail-end of canals) life without adequate water is a given, year after year.

Beyond just Pakistan's rural belt, the institutional crisis has a much wider dimension. In the past year, the mere fact of the 'baboos' at the Federal Board of Revenue in Islamabad repeatedly failing to make a tax return filing system work, was a widely noticed case in point.

The authorities were subsequently forced to delay the deadline for filing tax returns at least five times, setting a new record in the declining standards of the government. Unsurprisingly, the joke among Pakistan's few taxpayers was a telling one; 'May be the government aims to collect last years' taxes along with the next year's tax — two years in one go'.

The institutional crisis at the heart of Pakistan's ailing economy indeed has a philosophical and political dimension. Budget-making was once a well-thought-out exercise that not only took account of trends in previous years but also set the pace for the year ahead and beyond.

And across Pakistan, consultations with key stakeholders in different sectors were carried out by some of the country's best-respected civil servants. Today, the paucity of talent is such that the finance secretary, an able survivor of many regimes, remains in place due to his so-called 'technocratic' credentials.

The government's failure to find even a single able civil servant to fill the slot raises two equally compelling questions: either no one with the calibre to run the finance secretary's office can be found among the senior-most civil servants or more likely continuously blind loyalty to one set of rulers after another has become more pertinent to the job than talent. In each case, the answer must add to prevailing doubts over the future of the finance establishment.

Going forward, the conclusion of an IMF loan programme this year will eventually see Finance Minister Dar and his team patting themselves on the back. For a country where most IMF programmes in the past have collapsed prematurely, this may bring momentary joy.

And yet, Pakistanis across the rank and file will be left with many compelling questions over their future. The most pertinent among these will inevitably relate to the sustainability of present-day policies. As the Sharif government, recently stung by the Panama leaks, raises its spending on those it chose to neglect before, will this trend remain sustainable in future? Going by the past, the answer must be in the non-affirmative.

http://www.dawn.com/news/1263139

OPPOSITION QUESTIONS BUDGET FIGURES AUTHENTICITY
Dawn, June 8th, 2016

Hassan Belal Zaidi

ISLAMABAD: Questioning the veracity of the government's statistics during the second day of debate on the federal budget, the opposition in the National Assembly pointed out shortcomings in the finance bill and predicted that the illusion of stability offered by the finance ministry would soon come apart at the seams.

The highlight of Tuesday's proceedings was the speech by the Pakistan Tehreek-i-Insaaf financial wizard, Asad Umar.

The former Engro Corp CEO delivered a well-crafted rebuttal to the finance minister's budget address that was far less didactic than Ishaq Dar's jargon-laden monologue.

During his speech, he informed the house that the government had incorporated a rider into the new finance bill, to amend the Income Tax Ordinance, 2001, which offers cover to offshore companies.

"In Clause 523, section 18, sub-section (2), clause (bb) for the semi-colon, a full stop shall be substituted and thereafter the following explanation shall be added: 'For the removal of doubt it is clarified that the trust under this clause shall include a foreign trust'," he read, ostensibly from a copy of the latest finance bill.

“Why was this explanation necessary? If they amended the law now, they still couldn’t hide past crimes. This is why they have dressed this up as a clarification, so they could claim that this was the law all along.”

Alleging that this was how the government wanted to cover up its tax evasion and legitimise offshore companies revealed in the Panama Papers, he claimed that all attempts to discuss the matter in the Standing Committee on Finance had been stonewalled.

“If the finance bill is passed with this in it, my faith in democracy in Pakistan will definitely be shaken,” he concluded.

Earlier, Mr Umar said that many leading economic experts had termed the government’s numbers implausible and called the budget statistics into question.

Despite this, he stuck to the numbers given in the Economic Survey of Pakistan, underlining that they did not line up with Mr Dar’s claims of the country having achieved ‘economic stability’.

“Even if we accept the government’s figures [and examine] the comparison given in the budget documents … Pakistan’s growth rate was 6.8pc in the 1960s, 4.6 in the 1970s, 6.5 in the 1980s, 4.6 in the 1990s and in the first decade of this century, our average growth rate was 4.7pc. By the government’s own admission, our average growth rate over the past three years has been 4.3pc, which is the lowest it has been in the past 50 years.”

“The economy has slipped even below the levels where our colleagues from the PPP left it,” was his backhanded compliment to the main opposition party. Sensing that he could kill two birds with one stone, he continued this vein, showing the ruling party down with frequent comparisons to the Asif Ali Zardari government.

“Investment, which constituted 19 to 20pc of the economy around a decade ago, had fallen to 15.5pc in 2013. But then a government took over that is business-savvy; Mian sahib runs a number of successful businesses himself. The current economic survey, however, puts investment at 15.1pc, the lowest it has been in the past 60 years,” he said.

“No doubt, my party criticised the Zardari government, as I’m sure the current ruling party also did over the five years the PPP was in power. In that time, the PPP government amassed an annual Rs1.2 trillion in debt, which is no small amount. But in the first three years of this government, the annual increase in debt rose to around Rs2 trillion,” he said, to the sounds of “Shame! Shame!” from the opposition benches.

He was even more sarcastic when he read out the power generation statistics. “The government is touting a 300-megawatt increase in installed capacity over three years, while the demand has gone up by 1,000 megawatts. If this keeps up, perhaps Hussain Nawaz’s grandchildren will live to see a loadshedding-free Pakistan.”

His incredulity grew as he turned to the natural gas situation. “New discoveries are being made, LNG is being touted so much it seems like each house has its own LNG supply ship; everyone knows there’s so much gas that we don’t know what to do with it.”

Turning his sights on the parliamentary secretary for finance — in the absence of the finance minister — he continued, “Rana Afzal Khan, what is this that your ministry has published? [Your people] are saying that the total supply of natural gas, including LNG, is less than the level it was at five years ago!”

This drew jeers from the opposition, but the parliamentary secretary seated on the front bench was unfazed.

In a less-than thought-out tirade, Sheikh Rashid Ahmed also questioned the various figures quoted in the budget documents. He was at once a spokesperson for struggling farmers who couldn’t sell their products and a vocal opponent of the tobacco lobby, who he claimed were very happy with the measures introduced in the current budget.

In a lengthy speech, Muttahida Qaumi Movement's Dr Farooq Sattar took issue with the lack of provision for urban development in the federal PSDP. "I'm not just arguing Karachi's case here; this is the case of Lahore, Quetta, Peshawar, Hyderabad and Faisalabad, all the engines of development."

He reiterated his party's demand for an overhaul of Karachi's water supply system, and also took offence at the increase in the cost of education-related materials, such as stationery items, terming it a blow to students across the country.

Meanwhile in the Senate, members from smaller provinces accused the ruling party of preparing a budget to benefit Punjab alone, and criticised the government for presenting it without finalising a fresh National Finance Commission (NFC) award first.

Pakistan Peoples Party's Sherry Rehman and Saeed Ghani, as well as Usman Kakar of the Pakhtunkhwa Milli Awami Party, complained that the three smaller provinces had been ignored in the budget.

Ms Rehman claimed that the new budget did not just defy devolution; it seemed to be a step towards rolling back the 18th amendment, while Mr Ghani also regretted that no new development projects had been announced for Sindh.

Senator Farhatullah Babar took exception to the allocation of Rs250 million for the proposed National Institute of Human Rights that is being set up under an executive order, since the National Commission of Human Rights, which was set up under an act of parliament, already existed.

http://www.dawn.com/news/1263509

BUDGETS TO NOWHERE
Dawn, June 10th, 2016

Sakib Sherani

FOR most federal budgets in the country's history, one has to ask the 'what-if?' question. What if this particular budget had not been presented; what difference would it have made to the nation? To be sure, most budgets are a mixed bag on their own, containing a sprinkling of positive measures for the economy interspersed with a slew of less well-thought-out ones.

On this score, the federal budget for 2016-17 — as it stands prior to the passage of the finance bill — offers at least two positive policy steps, both relating to growth. For exporters, it brings the good news of restoration of zero-rating for sales tax for the five major sectors. For the farm sector, which has been under stress for the past two years, the budget contains relief measures.

Of course, the utility of these budgetary measures is largely contingent on their implementation. In the case of the zero-rating for the five export sectors, which was removed a few years ago, the restoration was announced by the prime minister nearly six months ago but has yet to be acted upon.

Its implementation requires the issuance of an SRO and is not contingent on the passage of the finance bill. Similarly, on the matter of the nearly Rs200 billion export refunds that have not been paid, the finance minister has made a commitment on the floor of the house for the past two years to clear the backlog within three months — which has yet to be honoured.

Beyond individual measures, what is the 'grand design' of the budget? This is a question I have repeatedly posed in this column in the past six years. For a political party that made claims to having spent its time in opposition carefully planning management of the economy and addressing its myriad challenges when in government, a fourth consecutive budget should be an opportunity to virtually seal the implementation of its vision for the economy.

Each budget has a 'pivot' or a centre of gravity. It may seek the revival of industry, promote exports, lower the cost of doing business, promote the country's international competitiveness, or embark on a wide-ranging revamp of the taxation system.

One of the truly path-breaking budgets in our recent history was the one presented by an earlier PML-N government in 1992-93. It broke the statist mould of the economy by placing the private sector front and centre via a process of deregulation, liberalisation, and privatisation. (In hindsight, we now know because of Panama Papers that some of the policy measures were also self-serving: allowing the ruling political elite to secret money from Pakistan to offshore financial centres).

However, unlike the past, the four federal budgets presented by the current PML-N government have had one pivot: revenue generation without tax reform. This has had the only one natural outcome possible — indiscriminate and 'predatory' taxation which has burdened existing taxpayers.

Hence, while tax revenue has increased nearly 60pc in the last three years, more than 95pc of this has come from an increase in tax rates, the levy of new taxes on existing taxpayers, and the withholding of genuine tax refunds.

The big-ticket items that have delivered major gains in tax revenue during this period include the Gas Infrastructure Development Cess, the increase in the standard rate of sales tax from 16pc to 17pc, an across-the-board increase in customs tariffs, imposition of a minimum tariff on machinery and other essential items that previously enjoyed 0pc customs duty, and an increase in the sales tax rate on petroleum products (mainly high-speed diesel).

In addition, the removal of zero rating of export sectors, the levy of a range of new withholding taxes, removal of exemptions and the introduction of a super tax round off the main measures that yielded the additional revenue.

All told, the Federal Board of Revenue (FBR) estimates place the 'new measures' since 2013-14 (ie additional taxation) at close to Rs1 trillion. This is an unprecedented level of sustained taxation of existing taxpayers in Pakistan's recent history.

What about the most important element of tax collection — widening the net and collecting from a larger pool of eligible taxpayers? According to an FBR statement filed with the Senate standing committee on finance and revenue for its meeting on April 12 this year, tax "amounting to Rs1.4bn" has been recovered from new taxpayers.

As a result of this flawed revenue-generation strategy and approach, Pakistan's global ranking on the World Bank's Cost of Doing Business index has slipped 10 places since 2013 to 138. On the "ease of paying taxes" the country's rank is now 171st in the world — virtually at rock bottom. On the measures of "number of tax payments" and "number of hours spent on tax matters", Pakistan's latest global rank is 168 and 177 respectively.

The other related problem is the approach taken towards documentation of the economy. The government strategy of creating a distinction between tax filers and non-filers and setting up a regime of differential taxes suffers from a fundamental flaw: it is adopting an approach that is not 'first-best' (which would be the reform of the FBR), and has been tried unsuccessfully since the 1990s in the case of sales tax.

At its worst, this approach of trying to earn revenue without fixing the FBR is formalising the status quo and is providing the wrong incentive to non-filers — that they can pay a nominal differential and continue to legally stay out of the tax net.

The government's flawed thinking on tax reform merits a separate discussion. But it is sufficient to say that without tackling the 'elephant in the room' — the FBR — no meaningful effort in documenting the economy or improving Pakistan's dysfunctional tax system will succeed. In the meanwhile, the government will continue to plug its revenue holes through predatory taxation.

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NEWS COVERAGE PERIOD FROM MAY 30TH TO JUNE 5TH 2016

BUDGET TO GET 'E-ASSENT' FROM PM TODAY

Dawn, May 30th, 2016

Khaleeq Kiani

ISLAMABAD: With meetings of both the National Economic Council (NEC) and the federal cabinet — to approve a development plan of over Rs1.675 trillion and a federal budget for 2016-17 worth Rs4.4tr — scheduled to be held on the same day, Monday is going to be an exceptional day in the history of the country.

Prime Minister Nawaz Sharif is scheduled to preside, via video link, over the NEC meeting at 5pm, followed by a special cabinet meeting at 6.30pm, according to officials.

But this would pose a new challenge for the government — how to protect the federal budget and, more importantly the Finance Bill 2016-17, from being leaked "to the market" for more than three days, a former finance secretary said.

The budget date "is 3rd June, unchanged", Finance Minister Ishaq Dar said. But the way this is to be ensured is unprecedented: for the first time in the country's history, the federal budget will be approved electronically by the head of the government, who is currently in London awaiting heart surgery.

"The security and sanctity of the budget is a challenge," said the former secretary. This is obviously an exceptional situation, since the PM is out of the country and the two most important meetings are being held on the same day with a gap of less than two hours.

The special budget meeting of the cabinet is always held just before the finance bill is presented in parliament, to ensure that the budget is not leaked to the media. But even then, portions of the proposed budget are on television screens before printed copies reach parliament.

Businessmen and media persons had friends in the cabinet who could not be expected to keep important budgetary decisions close to their chests for too long, the former secretary noted.

When asked how the government planned to keep the budget confidential this time around, a source close to the finance minister said it was not appropriate to comment on such hypothetical questions. However, the source said that the government had met several challenges thus far and assured that this would be no exception.

Officials told Dawn that there was always a three- to four-day gap between the NEC's approval of the development programme and the macroeconomic framework and the budget's tabling in the parliament. This enabled the ministries of finance and planning to incorporate NEC decisions in budget documents and send them for printing before they were presented to the special cabinet meeting for approval.

Sources said the government was already in a tight spot because of differences of opinion over various key numbers in the macroeconomic framework. They said the Annual Plan Coordination Committee (APCC) had, last week, approved next year's growth rate at 5.7 per cent and investment to GDP ratio at 17.7pc, but all these numbers were still fluid.

Ahsan Iqbal, Minister for Planning and Development, said the development outlay for the federal and provincial governments had been finalised at Rs1.675tr. This included a Rs800 billion federal Public Sector Development Programme (PSDP) and Rs875bn for provincial programmes in the next fiscal year.

Talking to journalists on Sunday, he said the plan had been finalised after consultations with all four provinces, Azad Kashmir and Gilgit-Baltistan.

Before finalising budgetary proposals for the next year, Mr Dar assured a delegation representing the export sector that the zero-rating regime would be revived to ensure that they did not have to face tax refund issues, as promised by the prime minister.

These sectors, which include textile, carpets, leather, surgical and sports equipment, were assured by the finance minister that the government was ready to zero-rate their use of furnace oil and diesel, in return for which they would have to ensure a 25pc growth in exports.

Sources said that next year's federal budget outlay would be more than Rs4.4tr, including interest payments of about Rs1.254tr – an increase of 5.8pc over the current year; defence expenditure of Rs860bn – an increase of 10pc; PSDP at Rs800bn – an increase of 14pc; pension expenditure of Rs245bn – a 6pc increase; and subsidies at Rs170bn for the current year.

Salaries of the government employees are expected to rise by 7-10pc next year. Special incentives would be offered for the revival of the agriculture sector, which pulled down the current year's economic growth rate by 0.7pc.

The foreign exchange reserve target for next year would be set at $23.6bn. The overall size of the economy (GDP) has been estimated at Rs34.801tr next year, up from current year's 30.672tr.

The Federal Board of Revenue would be given a target to collect more than Rs3.6tr taxes, against the Rs3.1tr target for the current year, which the government expects to achieve or miss by a small margin.

A proposal to double the withholding tax on cash withdrawals from banks by currency exchange companies was also on the table, while pension funds, and non-governmental organisations could also come under the income tax net.
http://www.dawn.com/news/1261522

BUDGET 2016 -17: GROWTH WITHOUT DEVELOPMENT
Dawn, June 1st, 2016

Salim Raza
THE recent period has seen distinct improvement in business morale, aided by stable current macroeconomic indicators, and incipient recovery in power generation. Whether the stage is now set for sustained and rising growth, though, is not certain.
Over the past five years, growth has been fuelled by rising consumption, now 89 per cent of GDP, and growing at around 5pc annually, against GDP growth of under 4pc per year. The modest GDP growth we have been able to muster is led by the services sector, while manufacturing and agriculture have performed below GDP, at 3.5pc and 3pc respectively.

High aggregate demand and falling energy prices for the past couple of years should have been a stimulus for domestic investment and steadily rising production. That is not how it has worked out, with rising demand leaking into imports and, probably, into the shadow economy.

In fact, the major productive sectors of the economy look moribund and forward-looking indicators are lacklustre. The substantially reduced trend for investment to GDP, down from 22pc in 2007 to under 15pc in recent years, continues. Much of the 4.7pc growth reported for year to date 2016 in manufacturing comes from greater capacity utilisation in a variety of low-weight sectors — the biggest textiles, with a 20pc index weight, in fact saw a 0.6pc decline in the year to date.

Agricultural production shows no positive direction. Annual growth is squeezed out of fluctuating sizes of different crops, and any momentum for broad-based increase in productivity is missing.

The services sector, now 59pc of GDP, is perhaps oversize in relation to industry's share of 21pc. More than half of service GDP, or 32pc of the total GDP, comes from trading and storage/distribution — which add value to production but don't create value in themselves. The services sector in India also has a much larger share of GDP than industry, 62pc vs 15pc.

However, the services sector there makes more intrinsic value-contribution than in Pakistan — financial services, business processing services and real estate in India generate about 30pc of services GDP, against rather less than 7pc in Pakistan. Transport and storage/distribution in India are only 10pc of services GDP.

Two aspects of our economic environment that weigh down on growth must be noted: one is the huge (effective) share of indirect taxes in tax revenue and the second is the declining contribution of national savings to national development. Instead of fuelling growth, savings are largely recycled by banks to serve governments' fiscal needs.

Reasons for our low tax to GDP are well known. Looking forward, the tendency to impose further, multi-tiered, taxes on those companies and sectors already reporting for tax can become counterproductive: under-reporting of production combined with partial disinvestment can become the outcome.

Indirect taxes are already, effectively, 85pc of FBR's tax take (if the non-income based aspects of direct taxes, such as withholding taxes, are taken into account). Quite besides the regressive iniquity of such a regime, more indirect taxes in a slow-growth economy will suppress demand, hurting production prospects.

With capital markets for debt quite undeveloped, business must rely on banks for expansion. Our banks have progressively and substantially shrunk exposure to lending for development. Their investment in government securities and in the public sector (80pc/20pc respectively) is now 70pc of their exposure, an inversion of the situation of a decade ago, when the private sector took 70pc.

If the increase in government borrowing was spent on infrastructure, it could count as investment in the future. Instead, with a primary deficit (revenue less expenditure before debt servicing), increase in government debt mainly supports current expenditure.

A history of turgid production, in an unaccommodating fiscal and financial framework, hems in initiative for investment. We have fallen behind our emerging market counterparts in industrial scale and technology, in development of supply and value chains, in agricultural productivity, and in human resource development.

So how do we go from here towards the ideal of high, sustainable, growth?

The fundamental precondition for sustainable investment is assurance regarding continuity of a policy framework: businessmen will tell you that predictability is more important than perfection, when it comes to operative government fiscal and investment policies.

Looking around the Asian leaders, the roots of growth were laid over a long period of political and policy continuity.

China had in fact been experimenting with highly decentralised, market-related, production incentives, well before its take-off in the '80s. The methodology of 'proceeding from point to surface', i.e. from micro-experimentation with a particular line of policy, to its national application was well established, before China's SEZs developed.

The town and village enterprises (TVEs), which were the backbone of China's industrial surge from the'80s onwards, were actually created in the '50s. China's burst of 30 years of sustained, high growth developed on the back of policy and political continuity.

India's 'Nehruvian' economic philosophy, i.e. import substitution led by public sector heavy industry, with an emphasis on technical education, was managed by Congress-run governments for all but three years between 1947 until 1985; it laid a strong base for the later, very successful performance of the liberalised economy.

Similarly, Japanese economic success was nurtured under the Liberal Democratic Party in Japan — except for four years, in power continuously since its foundation in 1955; economic policy was shaped by the Japanese Ministry of International Trade and Industry directing strategy for growth of Japan's conglomerates.

South Korea had its Planning Commission playing a hands-on role in development of Korea's chaebols, business groups, under military or military-controlled governments, continuously from the early '60s till 1987.

Pakistan's history has lacked this sustained unison of policy and political continuity. Fiscal policy towards business has been consistently variable, always subject to budget or lobby pressures. Therefore, long-term investment has been inadequate, production capacity cannot accommodate demand in high growth periods, and rising imports lead to BoP crises.

For Pakistan to 'break the mould' of languishing development, there is considerable expectation that CPEC will become the catalyst for broad-based acceleration. While China has a distinct vision of CPEC's role with respect to Western China, its investment plans within Pakistan provide comprehensive, new logistical capability. Besides, CPEC provides for energy projects, for the creation of special enterprise zones (SEZs); for harnessing the undeveloped potential of agriculture, and for building the long-underinvested mining sector of Pakistan.

But CPEC cannot become our next medium-term development plan, which must have a wider canvas, including objectives for social and human indicators. But it can become the means by which internal productive capacity is regenerated across the industrial, agricultural and commercial sectors.

If we are to reap this "harvest", we have to galvanise the already delayed planning process for ancillary industry enabled by CPEC, where the private sector must be a full partner with the government.

Critically, to avoid the disruptive shocks imparted by regime changes, we must anchor CPEC's continuity on enduring and independent official institutions. If we continue to treat our institutions as an extension of politics, policy development will neither be independent nor durable, and we will remain mired in growth without development.

http://www.dawn.com/news/1262027

BUDGET 2016-17: BUDGETING FOR THE RICH
Dawn, June 2nd, 2016

Khurram Husain

WHATEVER the budget to be announced tomorrow contains, there are two crucial areas where we can already say it will fall woefully short. These areas are safeguarding the interests of the poor and those of future generations.

In a country where a third of the population can be said to be living on a monthly per adult income of Rs3,000, there can be no other priority more important for the economic policymaker than to ensure that this segment can improve their lot.

And in a country where the dismal tax-to-GDP ratio ensures a constant build-up of unsustainable debt, the interests of future generations fall by the wayside. Instead the country's economic policy is designed to safeguard the interests of its creditors first, to meet its own current expenditures second and the profits of its business elite third, with all else coming a distant fourth.

This budget is not going to be any different. A sleight of hand ensures that the interests of the poor are defined as a subset of the interests of the business elite by proposing economic and industrial growth as the sole solution to poverty alleviation.

And a constant muddle through approach towards revenue generation, with future capital investments left largely to projects in the China-Pakistan Economic Corridor (CPEC) ensures that the today's consumption is paid with tomorrow's possibilities.

An example makes this clearer. Ever since the government abandoned any attempts at comprehensive tax reform designed to document the economy, it has muddled through with revenue measures that burden existing taxpayers.

Last year it introduced a new tax that it billed as a documentation exercise which called for a 0.6 per cent tax on banking transactions of all those who are non-filers of income tax returns.

As a documentation measure this was fine. Initially it led to a sharp increase of currency in circulation, meaning people preferred to transact in cash rather than use banking instruments to avoid this tax.

All the government had to do was hold the line and eventually those non-filers who transact large volumes, millions of rupees on a daily basis, would find cash too cumbersome to continue with.

But the government blunted the impact of this measure by entering into negotiations with the trader community, which was the main target of the tax, and which led the protests against it. It agreed to reduce the rate to 0.3pc, and kept extending the deadline by when traders were required to file their returns.

As a result, traders kept using cash as a medium in the hopes that the tax will soon be withdrawn. This constant cycle of negotiation and extensions fuelled the wrong hopes, and the consequence is that currency in circulation accounts for 80pc of all the fresh money created since July 1 of last year — when the fiscal year began and the tax began to be applied. By comparison in the preceding year this same percentage was 40pc.

Bankers are nervous about this development. “This volume of cash in circulation can be dangerous for the economy,” says one senior banker who did not wish to speak for attribution. “It can trigger speculation, in commodities, property, stocks, and then it can be very hard to get a handle on things.”

Now we hear the government is keen on expanding this tax to other sectors too, having tasted the revenues from it. As a documentation measure the idea is a good one, but as a revenue measure it is a lousy idea.

We are reduced to resorting to these tactics because since 2013 we turned our backs on the best documentation measure that has a proven track record from around the world: the Value Added Tax.

The story on the poverty side is very similar. The last big idea that any budget contained for the poor was the Benazir Income Support Programme (BISP). Since then all we’ve ever seen are growth measures disguised as poverty alleviation, or little schemes like the Prime Minister’s Health Insurance Scheme or a free interest rate scheme.

The good thing about this is that with the poverty score cards that are used for targeting in the BISP, we have the tools to build large scale poverty alleviation programmes. The bad news is that all we’re building are small schemes, many of which barely take off before implementation issues arise, such as with the interest free loans schemes that banks refused to participate in.

With no meaningful policy conversation, let alone proposals, on poverty alleviation, and no substantive movement towards tax reform, the country’s economic policy has lost its moorings. The budget making exercise has now devolved into a massive squabble about who will be charged how much FED next year, whose products will be zero rated for GST purposes, and a collage of schemes for the poor.

Haris Gazdar, one of Pakistan’s leading researchers on poverty, says a policy focus on poverty alleviation is “first and foremost a political choice”. Some political parties propose economic growth as the leading poverty alleviation mechanism, whereas others argue to make this growth more inclusive, although “neither paradigms are actually able to prevail in practice due to the acceptance by the political leadership of existing constraints”.

Inviting the poor to come eat out of your hand is not a poverty alleviation exercise.

And a pass the parcel style revenue effort, where the one holding the bag when the music stops pays the incremental taxes required for next year, is no way to manage a revenue effort. Little wonder then that the country's domestic debt has jumped almost 50pc since May 2013 and the number of those living below the poverty line has now been set at 29pc of the population.

Economic policy must find a way to make future generations and the poor its central focus. Until that happens, the budget speech might as well be read out in a drawing room somewhere, because that will be the sum total of those for whom it holds any relevance.

http://webcache.googleusercontent.com/search?q=cache:http://www.dawn.com/news/1262252

BUDGET 2016-17: ECONOMY TEETERS BETWEEN BOOM AND BUST
Dawn, June 3rd, 2016

ISLAMABAD: Industry boomed while agriculture collapsed during the current financial year, according to data released in the Economic Survey. A cotton-led collapse in agriculture dragged the economy down, leading the government to miss its growth target of 5.5 per cent by a significant margin in the current financial year as real gross domestic product (GDP) grew at a rate of 4.7pc — still better than the last eight years.

Finance Minister Ishaq Dar wasted no time in getting to this point. "Agriculture production has unfortunately remained negative 0.19pc against a growth target of 3.9pc," he conceded at the very outset of the event launching the Pakistan Economic Survey 2015-16 here on Thursday.

He also found the confidence to declare that Pakistan needs no new IMF programme once the current one expires in November. "The government has no intention to go back to the International Monetary Fund for a new programme," he declared, pointing to the improved fundamentals contained in the Economic Survey.

He said the government had stabilised the national economy as promised before the 2013 elections and the goal going forward was to achieve higher economic growth. "The nation should rest assured we have moved out of the legacy … have achieved stability and are set to consolidate gains with growth without comprising on fiscal discipline."

With a 28pc fall, this year's diminished cotton crop shaved off 0.5pc GDP which would otherwise have increased by 5.1pc. "Cotton led the decline and others also followed," Mr Dar said, adding that it would be the biggest challenge of budget, due today (Friday), to figure out how to rescue agriculture from its doldrums.

The other challenge he outlined for himself was a fall in exports of almost 10pc over the last financial year.

The industrial and services sectors saved the day for the government, although their growth grew from narrow bases in automobiles, construction, fertiliser, pharmaceuticals and a few more.

The minister had to struggle to defend the 4.7pc growth figure as he faced repeated questions about the credibility and autonomy of the Pakistan Bureau of Statistics (PBS) whose chief statistician, a former bureaucrat, served the Ministry of Finance for almost two decades. The secretary statistics division also found himself in the spotlight since he was Mr Dar's principal staff officer until recently.

The PBS is an autonomous body and is supposed to function independently of any influence from the government, particularly the finance ministry. Both gentlemen in question sat in uncomfortable silence on both sides of the finance minister while he fielded the questions and offered to make the PBS more autonomous.

Finance Minister Ishaq Dar shows a copy of the Economic Survey 2015-16 during a press conference on Thursday.— Tanveer Shahzad / White Star

Mr Dar said the cost of war on terror to the national economy had now touched $118.3 billion, although it appears to be receding this year on account of an improvement in the security situation. The estimated losses suffered by the economy due to the war on terror have declined by almost 40pc from last year, touching $5.56bn this year. The minister attributed this to the success of the Zarb-i-Azb operation and implementation of the National Action Plan.

He said the government could not afford to lose sight of any sector as agriculture and industry had 21pc share each in the economy with 58pc share of the services sector. “We will try to take major corrective measures for agriculture in the budget,” he promised.

The pace of industrial activity has picked up as its growth rate reached 6.8pc this year, compared to 4.81pc last year. The performance was slightly above the target of 6.4pc set at the start of the year. Large-scale manufacturing (LSM), on the other hand, missed the growth target of 6pc, coming in at 4.61pc, still above last year’s turnout which was 3.29pc.

Automobiles led the increase in LSM, registering a large growth of 23.4pc, followed by fertiliser at 15.9pc, leather products 12.18pc, rubber 11.7pc, cement 10.4pc, chemicals 10pc and pharmaceuticals at 7.1pc. The LSM was marred by the closure of Pakistan Steel Mills due to suspension of gas supply by SSGCL, reported the Economic Survey.

Power generation maintained its growth trend from last year, increasing by 12.2pc, while construction boomed at 13.1pc, more than double its growth rate last year.

The services sector met its target of 5.7pc growth, even though its two major components registered below target growth. Transport and communications sector came in at 4.06pc against the target of 6.1pc. Wholesale and retail trade also failed to meet 5.5pc growth against 5.5pc improvement last year.

http://www.dawn.com/news/1262409

July 2016

NEWS COVERAGE PERIOD FROM JULY 25TH TO JULY 31ST 2016

DECLINE IN EXPORTS INDICATES ECONOMIC EMERGENCY IN PAKISTAN

The Express Tribune, July 25th, 2016.

Aadil Nakhoda

KARACHI: There is a disconcerting trend in exports as from a peak of $25.3 billion in 2011 the value of exports from Pakistan has fallen to $22 billion in 2015.

According to the world development indicators, exports as a percentage of GDP for Pakistan have fallen from 14% in 2011 to 11% in 2015.

Although the global trade has decreased in 2015, the looming external debt position of Pakistan makes the impact of the decline ever more daunting. The total debt service as a percentage of exports of goods, services and primary income has risen from 11.3% in 2008 to 19.1% in 2014.

Over the previous decade, the inflow of remittances into Pakistan has taken an unprecedented importance in the balance of payments. Although remittances and capital inflows are important sources of foreign exchange, the policymakers need to address the falling trend in exports.

With increasing debt payments to the IMF and other creditors, Pakistan must ensure continuous inflow of foreign exchange in order to meet the obligations.

Exports are a crucial component of foreign exchange inflow. An investigation into the export pattern is necessary as policy measures to promote trade including currency valuations, tax reliefs and exemptions, free trade agreements are implemented.

Analysing trade data from the UN Comtrade, approximately half of the exports from Pakistan are destined to the US, China, Germany, Spain, Italy, the UK and the UAE. They account for approximately 45% of global trade.

Even though economic conditions are relatively weak in these markets, they are the most important destinations for exporters around the world.

On the other hand, the products exported by Pakistan are not the most popular in global trade. The top 10 six-digit HS codes exported from Pakistan in 2015 include textile products and cereals (semi-milled or whole-milled rice has been the top exported product from 2005 to 2015).

The top 10 products cumulatively account for approximately one-third of the exports from Pakistan but only 0.5% of the global trade flow. Therefore, exports from Pakistan are not only heavily concentrated in primary products and low value-added goods but are also limited to products that contribute negligibly to the global trade.

Further analysis suggests that exports are highly sensitive to fluctuations in global commodity prices, particularly of wheat, cotton and rice. There was an upward trend in the global prices of commodities from 2007 to 2011, consequently increasing the export value of several commodities, followed by a decrease in prices.

For instance, exports of raw cotton increased from $47 million in 2007 to $370 million in 2011 but decreased to $100 million in 2015. Similarly, exports of cotton yarn increased from $1.21 billion in 2008 to $2.23 billion in 2013 but decreased to $1.55 billion in 2015. Exports of semi-milled or whole-milled rice increased from $1.1 billion in 2007 to $2.3 billion in 2008 and decreased to $1.4 billion in 2015.

Although exports of primary products may bring a windfall during certain periods, they increase the exposure of the domestic agricultural sector to global price shocks.

Although most of the global trade is destined for the aforementioned markets, the composition of trade is likely to differ across destinations. Pakistan mainly exports intermediate goods to China and consumer goods to the US and European Union.

Pakistan exported $4.35 billion worth of intermediate goods in the textile industry such as yarn and fabric in 2015 but also exported $8.35 billion worth of consumer goods in textile that require yarn and fabric as inputs. This has increased the dependency of the value-added consumer goods on imported inputs.

Further, it has increased the vulnerability of local producers of raw cotton, cotton yarn and fabric to fluctuations in the global commodity prices.

Therefore, establishment of long-term production linkages between domestic and foreign entities in various industries is essential. It is imperative that exporters determine their potential in the global value chains and trade accordingly.

Considering that the most important trading partners are developed and advanced countries, they are more likely to churn out products through innovation. The exporters must adapt and realise the gains from the introduction of newer products and their varieties, even within traditional industries such as the textile industry. Free trade agreements should be negotiated to promote export of newer products that are likely to generate greater export revenue and provide easier access for those exporters that would otherwise fail to export.

The GSP Plus status awarded by the EU needs to be better utilised to help reverse the current trend of exports.

It is imperative that appropriate trade policies are adopted which support the conversion of primary products into processed products domestically through further investments in the food, textile and other industries.

Further, the exporters must be able to adapt to the changes in tastes and preferences in their destination markets.

With the help of adequate production linkages across different industries and based on the needs of the destination markets, products with varying input mix need to be produced.

Similarly, integration into global production networks is necessary to generate export revenue rather than the reliance on irregular exchanges in the global market based on price fluctuations.

Although manufactured products themselves may face volatility in their output prices, the ability to produce different varieties may help reduce the adverse impact on the domestic economy from price fluctuations in the global commodity market.

http://tribune.com.pk/story/1148423/decline-exports-indicates-economic-emergency/

CAN LOW-ENERGY PML-N STILL REFORM ECONOMY?
Business Recorder July 25, 2016
Would serious economic reforms have to wait for next government? In its fourth year now, the ruling PML-N looks short of the political capital to expend on painful measures. It’s another matter that the economic czars keep talking up reforms when the government seems to run on auto-pilot. There is not much time left, or stomach, it seems, to make way for the reforms that the lion from Punjab had offered back in 2013.

A free-market think tank in Islamabad seems especially stung by a pro-business government falling flat on its reform promises. Since the PML-N took over the federal government, Prime has been releasing its half-yearly assessment of the economic promises made by the PML-N in its 2013 election manifesto. In the latest manifesto tracker, their seventh issue so far, frustration over slow pace of reforms is palpable.

Titled “Bad Economics is Bad Politics,” the report charges that the PML-N government has turned its back on privatisation, deregulation, and liberalisation of the economy while turning towards populist economic measures labelled as “development politics” that is high on brick and mortar infrastructure projects.

Some key indicators from Prime’s economic scorecard are reproduced in the illustration. Even though the scores allotted for the two broad areas, “Economic Revival” and “Energy Security”, were the highest so far in the latest tracker, in the aggregate the score was below the passing number, 5. The component of “Social Protection”, previously a part of Prime’s tracker, has now been removed from the methodology because the few good measures under it eclipsed the other two areas, the report suggests.

Discussing the gaps in the government’s reforms’ agenda implementation, the authors’ main gripe is about the halt in privatization of loss-making SOEs. These include energy bodies in the distribution and generation sectors; troubled transport carriers such as Pakistan Railways and Pakistan International Airlines; and the “money guzzler” that is Pakistan Steel Mills.

The authors also find fault with the government’s high spending on infrastructure development projects, such as roads, ring roads, flyovers, and metro bus service. In their view, this spending has been “politically driven”, lacks “economic considerations” such as cost-effectiveness, and discriminates against small cities and town. It would have been nice had the authors substantiated their claims with some analysis of this infrastructure spending. But their opinion is widely shared among the local economic community. The report also chides a visible lack of tax reforms.

Whatever reforms have been introduced, their pace remains slow, the report points out. In the energy sector, these reforms include the "mandatory wheeling of electricity by Discos and NTDC; net metering for small producers and consumers; developing alternative renewable energy sources; and developing and creating a wholesale market for electricity.â?• The manifesto tracker relayed that with less than two years left in the government's term, out of the 89 economic targets identified, only four stood achieved as of June 2016. The targets achieved thus far concern reducing inflation, having electricity tariffs as per system-wide average system-wide cost, putting blanket ban on new CNG stations, and prioritizing CNG for public transport.

There is positive movement on 36 targets, so there is hope that more targets can be achieved in the coming year or so. Concluding, the authors hope that the PML-N will "abandon its lust for the temporary gains, be they political or otherwise," and "prove its mettle and go for the fundamental reforms …"

Well, time is running out for a docile government that is surrounded by rivals spoiling for a fight. So, the candid "exhortations" by Prime will be lucky to find audience at the top. But it is good to see the continuation of this think tank project in the spirit of democratic accountability, however unrequited the gesture may be.

http://www.brecorder.com/br-research/999:all/6782:can-low-energy-pml-n-still-reform-economy/?date=2016-07-25

'ECONOMIC INEQUALITY RISING IN PAKISTAN'
Dawn, July 30th, 2016

Ikram Junaidi

ISLAMABAD: According to a United Nations Development Programme (UNDP) report, the problem of 22 families controlling 66pc of Pakistan's industrial assets, as identified by Dr Mahbubul Haq in 1968, remains relevant today due to rising inequality in a country where the richest 20pc consume seven times more than the poorest 20pc.

The report titled 'Development Advocate Pakistan' claims that inequality has grown even though consumption based poverty has dropped from 57.9pc to 29.5pc between 1998-99 and 2013-14, and multidimensional poverty – which includes health, education and living standards – has fallen from 55.2pc to 38.8pc between 2004-5 and 2014-15.

It says that in 1987-88, the Gini coefficient, which measures income inequality, was 0.35 and that this number has risen to 0.41 in 2013-14.

According to the report, one of the world's great achievements in the past few decades is the significant fall in global poverty. Between 1990 and 2012, the number of people living with $1.90 a day has fallen by more than a billion. However, despite this, income inequality has increased within and across the countries.

Today, 16pc of the global population earns 55pc of the income while 72pc of the poor account for just over 1pc of wealth.

Because of this inequality, the report says, economic growth is affected, crimes increase, talent is wasted, and social mobility is hindered. Therefore, the most critical challenge of the 21st Century is achieving the Sustainable Development Goals, which includes ending poverty in all its forms and leaving no one behind.

The report claims that Pakistan's Multidimensional Poverty Index, released last month, found that 54.6pc of rural Pakistanis were poor compared to 9.3pc of the population in cities. Multidimensional poverty stands at 31.5pc in Punjab and 73.7pc in Fata.

The table shows a comparison of Gini coefficients between the years 1987-88 and 2013-2014 of the per capita income inequality province-wise. Gini coefficient is the most commonly used measure of inequality.

“While multidimensional poverty in Islamabad, Lahore, Karachi and Rawalpindi is below 10pc, it exceeds 90pc in Killa Abdullah, Harnai, Barkhan, Sherani Kohistan. Therefore, some Pakistani districts are as well-off as any developed country while others are on par with the poorest in sub-Saharan Africa,” report says.

Women are mostly engaged in unpaid family work and their very real economic contribution is not counted, the report says.

Women own less than three percent of the land which impacts their economic empowerment. Their participation in the labour force is 25pc compared to 83pc of men. This is the lowest in South Asia after Afghanistan.

“Dr. Haq called for reforming Pakistan’s economic, social and political institutions to help prevent the concentration of such immense wealth with a few. Although the landscape has changed considerably since then, his recommendations remain painfully valid. Pakistan’s institutions continue to benefit the rich and burden the poor,” report says.

It talks about tax exemption on some select sectors and indirect taxes which disproportionately affect the poor. The richest districts in Pakistan receive, on average, five times more public funds than the poorest, which further aggravates inequality.

The high cost of running for elections systematically excludes poor Pakistanis from political institutions. Discriminations on the basis of gender, economic status, religion and social identity restrict upward mobility.

The report alleges that to date, Pakistan’s response to inequality has been superficial and focuses on symptoms rather than root causes. As a result, inequality has persisted and grown.

It recommends that to tackle inequality, key institutions need to be reformed and fiscal, monetary and other policies should be made equitable. It says regional inequality can be addressed by investing in lagging regions and districts, particularly in rural regions.

Governments should use the Multidimensional Poverty Index for allocations, especially under the Provincial Finance Commission awards, which are long overdue, the report says.

Gender responsive budgeting can help mainstream women’s priorities in the budgeting process.

The report says that politicians, bureaucrats, civil society, the media, many development partners and the wider publics ignore inequality in the Pakistani society and economy and that it is time to recognise that this inequality is not inevitable.

http://www.dawn.com/news/1274206

NEWS COVERAGE PERIOD FROM JULY 11TH TO JULY 17TH 2016
ECONOMIC STAGNATION
Business Recorder, 13 July 2016

M Ziauddin

Pakistan’s economy needs to grow at an annual average rate of 10-12 percent for at least over a decade for the so-called trickle-down theory to prove its economic viability. Indeed, this is the kind of growth rate that is required to be sustained for at least ten years at a stretch without any break to supposedly make any perceptible dent in the incidence of poverty in the country.

Shorn of the self-deceiving fiction poverty in Pakistan has more likely entrapped 50 percent of the population rather than the 30 or- so- percent that our official statistical experts have concocted out of thin air. And this percentage is likely to go up further if access to affordable education, affordable health cover, affordable transport, affordable housing and affordable communication are taken into consideration.

But how do we, in the first place achieve a growth rate of 10-12 percent even in one single year what to talk of sustaining this growth rate at a stretch for ten years with an investment rate of no more that 10 percent? Using the rule of thumb many independent economic experts have maintained that without an investment rate of around 25 percent per annum, again without break for almost a decade, it is next to impossible to achieve an annual average growth rate of 10-12 percent.

But in order to mobilise an annual investment rate of 25 percent and that too at a stretch for nearly a decade you need a saving rate of not less than 30 percent or more. Currently that rate is not hovering near even 11-12 percent.

So, on the face of it Pakistan is destined to remain stuck at an annual average economic growth rate of no more than 5 percent at the most which would while adding further to the population of poor in the country is likely to concentrate even more wealth, perhaps almost 90 percent of what would be accruing to the nation, in the hands of a minuscule minority of not more than 0.01 percent of the population.

This trend, the trend of increasing inequality is likely to grow even more acute in case the country were to grow at the 10-12 percent sustained over a period of a decade if equitable redistribution of the fruits of this high growth rate is not ensured through legislating laws that would make rentierism (the act of seeking rent) a crime.

In fact it is mainly due to this very reason — letting the fruits of growth to be hijacked by the rentiers (rent seekers) – that has actually kept the country’s rates of savings and investment at highly depressed level forcing the overall economic growth rate to remain stuck at around 4-5 percent over the last nine years resulting in an ever expanding sea of poverty, reducing to an insignificant level the middle class population and at the same time concentrating enormous wealth in the hands of a few.

No doubt, Pakistan’s economy has grown at an annual average rate of about 7 percent during the last five years of General Pervez Musharraf’s government. And high growth rates were also achieved during the decade of General Zia’s rule and the 11-year-rule of Field Marshal Ayub Khan. Average annual growth fell to 4.6 percent in the 1990s with significantly lower growth in the second half of that decade.

But most of this growth was driven by the unencumbered dollar dole that the country received during these periods and not because of any policies that restructured the economy for sustained growth on its own enhancing its ability to save enough to invest enough to grow at a healthy rate on its own without the crutches of dole. In fact this dole was more of a rent for the offer of our services in promoting the global and regional interests of the US.

Now that this kind of rent is likely also to dry up because of divergence in the interests of the donor and the recipient in the region so much so that the two seem to be standing on the opposite sides of fiery fence it is time for Pakistan to give up for good the Washington Consensus and set new rules, taming markets with the establishment of protective labour laws, restrictive financial regulations, and expanded welfare systems.

A worldwide backlash has already begun against a globalized, deregulated capitalism, unconstrained by national borders. Today governments the world over, especially those in the developing countries have started questioning the right of capital markets and capitalists to set the rules that governments must follow.

The dominance of capital has actually provoked this backlash: “As inequality has widened and real wages for the majority of people have stagnated—all while governments have bailed out wealthy institutions at the first sign of trouble—populations have become less willing to accept the so-called costs of adjustment as their lot. A “double movement,” in the words of Hungarian historian Karl Polanyi, “occurs in such moments as these, when those who feel most victimized by markets reclaim the powers of the state to protect them.

The rise of Bernie Sanders and Donald Trump in the United States is a product of this reaction, as is the strengthening of populist parties in Europe."—Capitalism in Crisis (What Went Wrong a What Comes Next—July/August 2016 issue of Foreign Affairs), By Mark Blyth.

All the local politicians and the national political parties be warned that the rise of Imran Khan is perhaps the product of this reaction in Pakistan.

Introducing one of the three books (Capitalism: A Short History, by the German historian Jürgen Kocka) he quotes in his article; Mr Blyth finds the book to be aptly named. In just 169 pages, it tells the story of capitalism from its origins in the ancient long-distance trade routes of Mesopotamia to the 2008 financial crisis. This is no mean feat, he declares. In Kocka's narrative, each stage of capi¬talism begets the next, in an almost natural progression.

Capitalism simply marches onward, for the most part benevolently — at least once the reformers abolished slavery and colonialism. But beginning around 1980, he writes, something started to go wrong. Firms started to derive a larger share of their profits from the financial sector than they did from real investments, a process economists call "financialization." This process, according to Kocka, "imparted a new quality to the system."

Modern finance, in contrast to the earlier, "productive" forms of finance that Kocka admires, seems to mainly consist of unproductive "locust" hedge funds that "cannibalize" good firms, contributing nothing to production in the wider economy. Meanwhile, Kocka insists, since the 1980s, governments have failed to exercise self-restraint, and publics have lived beyond their means. Massive growth in public and private debt in the developed world has been the result, which represents "a lasting source of destabilization for capitalism."

http://epaper.brecorder.com/2016/07/13/20-page/776027-news.html

NEWS COVERAGE PERIOD FROM JULY 3RD TO JULY 10TH 2016
GROWING CASH ECONOMY
Dawn, July 4th, 2016

OF all the trends that define the fiscal year just ended, the growth of currency in circulation is one of the most important. For years it has been a feature of our economy that somewhere around 20pc of all fresh money creation in any given fiscal year stayed in circulation as cash and the rest went into bank deposits. That proportion has been rising for the last two years, but, in the outgoing fiscal year, it registered a spike unheard of in recent decades.

More than 66pc of fresh money creation stayed in circulation as cash, showing a reversal of the ratio. The trend is troubling because it shows a massive defection of economic activity towards informal and 'black' sectors of the economy.

In addition, it throws up large challenges for the conduct of policy — both fiscal and monetary — and creates a powerful latent reservoir of undetected funds that can play havoc with the economy if they return as sources of speculative demand, like they did in the latter years of the Musharraf regime.

Along with this, we have seen similar spikes in the property markets as well as stocks, the two traditional destinations for black money. It is not a leap of faith to see a connection. What adds to the sense of foreboding that this trend evokes is that government borrowing from the banking system also increased instead of coming down.

So out of the Rs1tr in fresh money creation till mid-June, if only Rs355bn landed up as deposits, how did the banks finance the government's borrowing of Rs1.18tr in the fiscal year just concluded? The answer, according to the recently released third quarterly report of the State Bank, is that the central bank "stepped up its liquidity injections", meaning the funds were provided by the State Bank itself. The trend is a disturbing one and merits far greater attention than it has been getting thus far — especially from the State Bank itself.

http://www.dawn.com/news/1268912

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August 2016

NEWS COVERAGE PERIOD FROM AUGUST 29TH TO SEPTEMBER 4TH 2016

ECONOMIC CHALLENGES OVER: DAR

Business Recorder,August 30, 2016

Finance Minister Ishaq Dar said on Monday that China has chosen the right time for investment in Pakistan because it is ready to take off in the direction of high growth after overcoming the economic challenges.

Speaking at the concluding session of China Pakistan Economic Summit and Expo organized by Ministry of Planning, Development and Reforms here on Monday, Finance Minister stated "economic challenges of the country are over ".

He said that Pakistan was on the verge of default in 2013 with foreign exchange reserves at the lowest level, the worst load-shedding and law and order situation. Finance Minister maintained that structural reforms during the last three years have changed the country and the world is ready to do business with Pakistan.

Dar stated that the CPEC is going to benefit all the regions of Pakistan and "if we work together this project can put the country on a higher economic growth path, create employment opportunities and will have a positive socio economic impact in the less developed areas". The minister said 4.7 percent growth is not adequate and Pakistan will have 6-7 percent growth in 2018-19 after availability of the energy being undertaken under the CPEC.

The Minister added that China is helping Pakistan against the energy challenges and is making $35 billion investment in energy project under the CPEC. The Finance Minister also criticized previous PPP-led coalition government for failing to undertake 10,000MW energy projects. The country experienced load-shedding of 16-18 hours in 2013, he added.

He said that 10,000MW energy projects with two major projects of CPEC- Port Qasim and Sahiwal are in progress and would be completed by next year and there would be no load shedding by the end of the present government's tenure. The Finance Minister stated as this is age of global connectivity, Pakistan is undertaking various projects including CPEC for regional connectivity.

Khyber Pakhtunkhwa, Sindh, Gilgit-Baltistan Chief Ministers and AJK Prime Minister also stated that they would align their development projects to take maximum benefits from the game changer CPEC project. Chief Minister of KP also urged investors to make investment in various sectors and stated that the provincial government would facilitate them.

Sindh Chief Minister stated that a CPEC strategic cell has been established for better coordination with federal government and China on various issues regarding the CPEC and decided to set up a force with 2000 retired army men for safety and security of Chinese people working on CPEC projects in the province.

Minister for Planning, Development and Reforms Ahsan Iqbal stated that CPEC is based on four pillars – infrastructure, energy, Gwadar and industrial zones – and energy projects would be completed in two years to be followed by industrial projects. He added that ultimate goal of the CPEC is to develop industrial linkages between China and Pakistan in competitive advantages fields, etc.

He said that industrial sector was higher on the agenda and provincial governments on the request of federal government have identified sites for industrial parks for relocation and establishment of industrial units. In response to a question of traffic flow, the session was informed that according to conservative estimates 2000 to 22000 trucks will be passing through the CPEC to Gwadar.

After the conclusion of first session Advisor to Prime Minister on Foreign Affairs, Sartaj Aziz said the CPEC is a flagship project and its completion would effect economic transformation. He said that the project would benefit both the countries as it can put Pakistan on higher economic growth and provide shortest transportation route to some areas of China.

Aziz also spoke of risks and challenges for the CPEC and stated there is a need for preparation of contingency plans against them after their careful consideration. Advisor to Prime Minister stated "as South Asia is the most underdeveloped region on the globe, it offers potential opportunities and 21st century is South Asia's century," he added.

http://www.brecorder.com/market-data/stocks-a-bonds/0/80706/

REGIONAL ENERGY PROJECTS TO BOOST PAKISTAN'S ECONOMY
The Express Tribune, August 31st, 2016.

Zafar Bhutta

Islamabad: Regional energy projects would help Pakistan's economy grow and stimulate investment in the country, said US Assistant Trade Representative for South Asia Michael J Delaney.

"Pakistan has energy problem and regional projects like Tapi (gas pipeline) and Casa (power supply) will grow trade, economy and investment," Delaney said while talking to journalists on Tuesday. "Energy issues were an impediment to trade in Pakistan."

Responding to a question on liquefied natural gas (LNG) trade between Pakistan and the US, he said, "We generally try to improve and ease trade in all products; the best thing is to remove all barriers to bilateral trade; in principle, we aim to remove all market access barriers to grow trade between the two countries."

Initial talks have got under way between the two countries to finalise the Trade and Investment Framework Agreement (Tifa) to help trade, economy and investment grow in Pakistan.

"Our main purpose in Tifa is to increase trade and investment and resolve issues which block further growth; it is a technical-level discussion, the point is very simple which is how to grow trade, economic relations and investment," he said.

Calling Pakistan a best customer, Delaney said Islamabad and Washington had a good relationship with bilateral trade standing at $5.5 billion per year.

However, "it is just a fraction of the potential, so we aim to grow these numbers and we have preliminarily dialogue regarding the upcoming Tifa meeting this year before (presidential) election (in the US in November)," he added.

He pointed to a major fall in foreign direct investment (FDI) in Pakistan in recent years and blamed several factors. One may be the security perception which the government is addressing by taking different steps.

"We are hoping for further improvement; Pakistan government is focusing on World Bank's Doing Business Index (but) a number of things are more difficult to deal with," he said.

He was of the view that tariffs were higher in Pakistan and cited the 14.5% applied tariff, which was higher than the US. "Higher tariffs, impediments to FDI and SROs (statutory regulatory orders) are trade-hindering steps that need to be phased out."

Referring to the plan of establishing free economic zones in the Federally Administered Tribal Areas (Fata), the trade representative said the concept was developed several years ago but approval of the US Congress could not be taken.

The US was no longer pursuing the Regional Opportunity Zones (ROZ) project as a number of them were in the tribal areas, he added.

Delaney called for bringing down trade and investment barriers including the intellectual property laws and their enforcement.

"Tax dispute is very common here and there is a lack of transparency in the dispute resolution process," he said, adding the US would like to see stronger intellectual property laws and their implementation.

Talking about the proposed Bilateral Investment Treaty, he recalled that the US had entered into negotiations with Pakistan several years ago, but things were moving slowly.

He dubbed South Asia the lowest-performing area in regional trade, though countries had typically trade with their neighbours. "We can do the best in facilitating trade between Pakistan and Central Asia under Tifa."

The trade representative made it clear that the US was not pursuing a free trade agreement as Pakistan was enjoying 90% of concessions and the trade balance was also in its favour.

He claimed that Pakistan had 14.5% trade barriers whereas the US had around 2% barriers, but believed that Tifa would lead to growth in trade and investment.

http://tribune.com.pk/story/1172972/vital-cushion-regional-energy-projects-boost-pakistans-economy/

'PAKISTAN AN IDEAL DESTINATION FOR CHINESE INVESTORS'
LAHORE: The economic globalization and regional integration has provided enormous opportunities for further cooperation between China and Pakistan which is an ideal destination of foreign investment and top priority of the Chinese investors.

This was stated by Chief Executive Officer of the ST Fulin Group Co. Ltd and project head of Sino Pak International Logistic Complex, China Liu Jiang (Michal) in a meeting at the FPCCI Regional Office here on Tuesday.

Chairman FPCCI Standing Committee on Cottage Industry, Muhammad Yaseen briefed the Chinese entrepreneurs' delegation about the investment and vast joint ventures opportunities in Pakistan

He said the joint ventures with the Chinese enterprises would facilitate transfer of technology as Pakistan is direly in need to upgrade value-addition units.

He said that both the countries have deep political and economic relations but there was a need for frequent exchanges of traders and investors between them.

Speaking on the occasion, Chairman FPCCI Regional Standing Committee on Mines and Minerals Raja Hassain Akhtar said that private sectors of Pakistan and China can cooperate with each in exploring the vast mineral resources in Pakistan.

http://epaper.brecorder.com/2016/08/31/11-page/790142-news.html

CONTENTION: CITY DISTRICT GOVT, ADMIN AT LOGGERHEADS OVER BUDGET
The Express Tribune, September 2nd, 2016

Izhar Ullah

Peshawar: The budget passed by the city district government has become a bone of contention between the district administration and city district government.

The provincial finance department has termed the district budget preparation and the district nazim's presentation and the district council's approval of it as illegal.

A letter was written by the finance department to the secretary of the Local Government and Rural Development department which stated that the nazim has violated the rules in preparation of the budget. The letter proposes that the local government secretary should place the issue before the local government commission.

Previously, opposition members of the district council also submitted a writ petition in the Peshawar High Court (PHC) to declare the passing of the budget null and void as it was against the rules. The verdict on the case has yet to be issued by PHC.

The letter, a copy of which is available with The Express Tribune, states the DC is the principal accounting officer (PAO) of the district. As a result, the formulation and the consolidation of district budget proposals and its scrutiny comes under his domain as per the District Budget Rules 2016.

Similarly, under Rules of Business (RoBs) 2015, the DC is answerable to the accounts committee of the council public accounts committee of the provincial assembly and to the finance department of provincial government.

Moreover, under RoBs, all cases submitted to the nazim shall be routed through DC.

"In light of all the rules set up for preparation of the budget, the [preparation of budget and its presentation without consulting DC] is illegal," the letter read.

The letter added that under District Budget Rules 2016, no lump-sum provision can be made in district budget. Furthermore, the letter quoted relevant rules of the district RoBs to prepare the budget and stated that appropriation, supervision of expenditure and allocation of budget to devolved departments of the districts is the responsibility of district finance office. As a result, the allocation of lump-sum amount under the head of local government department is not covered under relevant law and rules.

The letter, advised the local government secretary, to place the issue before the local government commission for proper decision under Section 54(2) and Section 5(c) of the K-P Local Government Act, 2013. In the letter, it was further requested that the adherence of laws and rules should be ensured for the smooth functioning of the local government.

When contacted by The Express Tribune, district nazim Arbab Muhammad Asim said the budget has been prepared and passed in compliance with proper rules of the local government. He did, however, say if the relevant personnel at the DC's office have misplaced the files of the budget proposal, the responsibility falls on the department concerned and they should be made accountable for it.

On the other hand, Minister for Finance Muzaffar Said expressed ignorance on the matter and claimed to have no information about the fact that a letter has been issued by the finance department regarding the district budget. Speaking to The Express Tribune on Wednesday, he said he has no idea that a letter about district budget has been written. The finance minister said the letter may have been sent by low-ranking officials of the finance department.

http://tribune.com.pk/story/1174433/contention-city-district-govt-admin-loggerheads-budget/

NEWS COVERAGE PERIOD FROM AUGUST 22ND TO AUGUST 28TH 2016
INDUSTRIALISTS SEEK RS 100 BN PACKAGE FOR KARACHI

Dawn, August 24th, 2016

KARACHI: While drawing the attention of Prime Minister Nawaz Sharif towards the plight of Karachi, industrialists have requested him to announce Rs100 billion special package to rebuild the infrastructure of the economic nerve-centre of the country.

The Karachi Industrial Forum (KIF) — a body of seven associations namely Korangi Association of Trade and Industry (KATI), Landhi Association of Trade and Industry (LATI), Bin Qasim Association of Trade and Industry (BQATI), North Karachi, SITE Superhighway, Federal B. Area and SITE Association of Trade and Industry — made this demand at a joint press conference on Tuesday.

They observed that Karachi's huge contribution to the national economy deserves proper attention from the federal and provincial governments towards its plight which can easily be seen in the shape of complete collapse of its industrial estates and infrastructure.

They pointed out that recent Ecnec meeting approved only Rs3bn for Karachi out of Rs100bn development projects, which is very unfortunate given the importance of the financial and industrial hub of the country.

They asked Chief Minister Murad Ali Shah to hold a meeting with the KIF member associations to rebuild the industrial infrastructure because big businesses are shifting to other cities.

They also pointed out that motorway projects were being announced by the federal government but nobody was bothered about the Karachi-Sukkur Motorway.

The industry leaders also asked the Sindh government to improve roads and transport infrastructure to protect the industry from undue losses occurring from prolonged delays and hardships in transporting of goods.

http://www.dawn.com/news/1279499/industrialists-seek-rs100bn-package-for-karachi

SOUTH ASIAN ECONOMIC UNION SOON
Dawn, August 27th, 2016

Amin Ahmed

ISLAMABAD: The South Asian Association for Regional Cooperation (Saarc) finance ministers and heads of delegations decided on Wednesday to accelerate the process towards South Asian Economic Union in a phased and planned manner.

Finance Minister Ishaq Dar, who chaired the Saarc finance ministers' meeting, later explained to the media salient features of the decisions taken at the meeting.

He said the finance ministers agreed to ensure implementation of decisions recommended by the member states at various Saarc mechanisms in order to realise the goals of Saarc charter to promote the welfare of the people of South Asia and to accelerate economic growth, social progress and cultural development in the region.

They agreed to operationalise the Saarc agreement on trade and services without further delay by finalising schedules of specific commitments. They also decided to finalise text of the Saarc agreement on promotion and protection of investments.

The Saarc finance ministers decided to initiate discussion on widening the scope of Saarc agreement on avoidance of double taxation and mutual administrative assistance in tax matters.

They emphasised the need for harmonisation of customs procedures and documentations in the region to facilitate movement of goods across the borders. They also underlined the need for improved connectivity in the region including through land, sea and air route and early signing of motor vehicle and railways agreements.

It was decided to strengthen social window and operationalise economic and infrastructure windows of Saarc Development Fund so that tangible benefits are visible on the ground. Enhanced intra-regional investments were emphasised with a view to bridge the large infrastructure financing gap in the region.

The meeting recommended that Saarc secretariat should commission a study on export and import patterns of member states within and outside the region with a view to improve intra-regional trade. The Asian Development Bank and UN ESCAP or trade bodies in member countries should be approached for supporting the initiative.

Earlier, in his welcome address, Finance Minister Ishaq Dar said that since the last meeting of Saarc held in Kathmandu in 2015, significant headway had been made in regional collaboration in the areas related to economic and financial cooperation among the member states.

There is, however, a need to intensify the efforts on reduction or removal of non-tariff and para tariff barriers, trade facilitation measures, investment cooperation, reduction of products in sensitive lists, Saarc agreement on trade services, improvement in connectivity, energy cooperation, harmonisation and simplification of customs procedures and agreement on promotion and protection of investment to achieve our goal for the betterment of the peoples of the region.

Afghanistan has offered to host the next meeting of the Saarc finance ministers in Kabul in 2017.

http://www.dawn.com/news/1280155

NEWS COVERAGE PERIOD FROM AUGUST 15TH TO AUGUST 21ST 2016
RHETORIC AND REALITY
The Express Tribune, August 15th, 2016

The soon to be concluded programme with the IMF, unlike the last one, is being completed without having to be aborted mid-way through. But only a chronic optimist would call this economic stabilisation programme a complete success that saw as many as 16 waivers during its course. Given this, the statement by a senior IMF official that Pakistan is better placed to withstand mild economic shocks than it was in 2013, needs to be analysed fully.

More than anything else, it was the savings of as much as $8.5 billion in the annual oil import bill that introduced an element of seeming stability into the national economy. This factor was also responsible for keeping the domestic rate of inflation well within control. Most of the foreign exchange reserves are made up of borrowed money as exports have been showing a declining trend over the last three years. In addition, the overall debt burden is said to have gone up steeply in the last three years.

The energy-related circular debt went up to Rs656 billion. As opposed to the practice of treating circular debt as a budgetary burden until 2013 and calculating the budgetary deficit figure with this burden included in the estimate, from 2014 onwards the Fund has allowed the government to remove this burden from the budget and park it in a holding company so as to enable the recipient to keep the budgetary deficit figure within the limits imposed by the Fund.

Another amount of Rs622 billion borrowed from commercial banks for commodity operations is said to have been removed from the budgetary books for the same purpose. Given this, imagine what would happen if at just about this time, the world oil prices were to go up by, say just $10. So, it is not possible to agree fully with the optimism expressed by the senior IMF official. To completely escape the negative consequences of external shocks, Pakistan will eventually need to focus on improving export earnings and reducing tax evasion and avoidance.

http://tribune.com.pk/story/1162452/rhetoric-and-reality/

RS10.66BN BUDGET ANNOUNCED FOR PESHAWAR DISTRICT
Dawn, August 18th, 2016

Mohammad Ashfaq

PESHAWAR: Nazim Mohammad Asim Khan on Wednesday presented Peshawar city district government's Rs10.66 billion budget for financial year 2016-17.

The budget's outlay is Rs2.24 billion more than that of last year's Rs8.42 billion revised budget, showed the documents.

A major chunk of the budgetary allocations i.e. Rs8.566 billion will go to the salary and non-salary expenditure for 20 devolved departments.

Of the Rs988.53 million development funds, Rs189.14 million will be on the discretion of nazim and Rs80 million on naib nazim's.

In the previous financial year, Rs816.24 million was allocated for development schemes but later the amount was slashed to Rs408.12 million after the provincial government refused to offer more money for facing financial crisis.

According to the budget documents, Rs8.566 billion is allocated for salaries and non-salary expenditure for 20 devolved departments.

Rs197.71 million will be used in education sector to provide missing facilities to schools and colleges like construction of boundary walls and lavatories, electrification, supply of clean drinking water, purchase of furniture, and hiring of teachers.

The health sector has gotten Rs98.85 million, which is 10 per cent of the total development funds.

Of the amount, Rs40 million will be used on the installation of solar panels in health units and Rs30 million on the establishment of walk-in clinics on need basis.

Only Rs15 million has been allocated for development schemes in agriculture, women development and youth and sports sectors.

During the budget session at the district council hall here, nazim Asim Khan, who presented the second annual budget for the district after the installation of the local government system in the province, said Rs40 million would be used on solar panels at rural health centres to provide them with uninterrupted electricity.

"Initially, we are providing funds for solar panels at RHCs. They will gradually be extended to the basic health units," he said.

The nazim said Rs10 million had been allocated to preserve land records.

He said funds would be provided by the USAID to computerise all such records as the people had been facing many problems to secure their respective land records.

The nazim said Rs30 million had been earmarked in the budget for improving sanitation system in rural areas of Peshawar as Water and Sanitation Services Peshawar was for urban areas only.

The opposition councillors wore black armbands as a protest against non-consultation in the budget-making process.

Opposition leader in the council Syed Zahir Advocate said it was unfortunate that no opposition member had been consulted by the district government during the budget's formulation.

"We have been completely ignored," he said, adding that all decisions had been made about the budget unilaterally by the district government.

He also complained about the 'discriminatory attitude' of the city district government towards the opposition and said tough time would be given to the nazim during the passage of the budget.

http://www.dawn.com/news/1278341/rs1066bn-budget-announced-for-peshawar-district

DECLINING FDI
Dawn, August 19th, 2016

FOR two years now, foreign investment inflows into the country have been on a steep downward path, falling from a peak of $4.44bn in 2014 to less than $1bn in the last fiscal year. Coupled with similar declines in exports, this paints a worrying picture of the state of the external sector.

The State Bank has repeatedly pointed out that tackling this trend is crucial to bringing stability to the reserves since future debt service obligations are high and the reserves may look good at the moment, but their shine will diminish once those outflows begin.

Last year saw a precipitous decline in foreign investment which fell below the one-billion-dollar level for the first time in four years, led primarily by portfolio and public investment. For this reason, all eyes were on the July numbers, the first for the new fiscal year, for signs of a possible recovery. As it turns out, the new numbers, just released by the State Bank, bring mixed news.

Foreign investment has continued its downward slide in spite of a fresh beginning with the new budget, dropping by more than 14pc in comparison to July last year, even as portfolio and public investment recovered albeit in meagre quantities.

Even though total foreign investment in the month jumped compared to last year, the bulk of the improvement came from portfolio investment, which is hot money and not here to stay. The declines in direct investment are the key, and the fact that investment from China has shown the steepest declines may explain the roll call of statements from the highest government offices calling for work on CPEC projects to be expedited and the path for the Chinese to be smoothed.

More worryingly, the longer-term numbers show a steady eclipse of the older, more traditional, countries from where foreign investment came into Pakistan, and a growing presence of Chinese investors as the largest by quantum.

There is an old piece of economic wisdom which says foreigners will not invest in a country if its own nationals are shying away from acquiring stakes there. The government should heed the advice being given by the State Bank and do more to improve the overall investment climate in the country, rather than focus so heavily on the Chinese alone, in order to reverse this trend in a more credible way.

http://www.dawn.com/news/1278480

NEWS COVERAGE PERIOD FROM AUGUST 8TH TO AUGUST 14TH 2016
PAKISTAN'S WAY OUT OF THE DEBT CRISIS
The Express Tribune, August 8th, 2016.

LAHORE: If history is our guide, Pakistan is quite vulnerable to balance of payment crises since it heavily relies on geo-political rents to raise its foreign exchange reserves.

During the 1980s, the first Afghan war helped in maintaining a solid balance of payment position. However from 1988 to 2001, Pakistan had to recourse to the International Monetary Fund (IMF) on frequent intervals to avert the balance of payment crisis and to ward off imminent default.

While the second Afghan war provided an opportunity to the government to stay away from the IMF from 2002 to 2008, since then the IMF rescue programme is in vogue with an interlude of 2011-2013.

Since September 2013, the government is continuously tapping the international commercial debt market to bolster the foreign exchange reserves and to meet one of the conditionality criteria of the Extended Fund Facility (EFF) under the auspices of the IMF.

Under the IMF programme, other multilateral donor agencies and even private commercial banks also become generous to developing economies. On this basis, the government mobilised $ 7.7 billion from external resources in FY2015.

Similarly, it managed to mobilise around $8 billion in FY2016 and intends to garner around $8 billion in FY2017. Therefore, external debt grew by 13.5 % in FY 2016. This strategy helped in raising the foreign exchange to $23 billion to date and the aim is to raise it to $30 billion in FY2017.

Considering the current pace of economic growth and structure of economy, the government has targeted around $7-8 billion a year of external assistance to meet the merchandise trade gap, debt servicing commitments with a small buffer to negotiate an external shock.

However, the government is projected to pay around $5-6 billion in FY2017 in terms of debt servicing; therefore net addition to external debt is small. In FY2016, the total exports (merchandise and services) are around $28 billion since exports are used to pay for imports and debt servicing.

Keeping in view the low level of exports, the government has adopted a very risky strategy in a medium term where it has issued liabilities denominated in foreign currency, though repayment capacity has been increased to some extent in a short term.

The repayment capacity is measured through external debt servicing/FX ratio which has improved from 2013 to 2016 to some extent owing to precipitous decline in international oil prices and slower repayment to the bilateral and multilateral donor agencies.

However, this ratio could easily deteriorate in the coming years due to factors like electioneering leading to unsustainable higher economic growth, lower exports and moving out of the IMF programme which may prelude to balance of payment crisis–a recurrent event.

Considering the political exigencies the government may adopt the following strategy.

For a sovereign Pakistan, the best option is to issue such liabilities which are denominated in domestic currency since a sovereign state can issue its own liabilities. The government should rely on domestic debt of longer maturity for example 10, 15 and 20 years treasury bonds in a low interest rate environment since a government can never default on domestic debt on the grounds that it has power to impose tax along with the power to borrow from the State Bank of Pakistan.

There is a need to qualify the statement that this borrowing should be done for capital budgeting purpose not for current budgeting one, implying that borrowing to increase the productive potential of economy.

There is a dire need to develop a domestic debt market where retail investors can safely invest in long term government bonds. Why would a private agent invest in those bonds? The simple answer is those bonds provide positive yield along with security of investment.

The writer is an Assistant Professor of Economics at LUMS

http://tribune.com.pk/story/1157642/solution-pakistans-way-debt-crisis/

IMF WARNS PAKISTAN OF RISKS IF REFORMS STALL
Dawn, August 11th, 2016

Mubarak Zeb Khan

ISLAMABAD: The International Monetary Fund (IMF) has cautioned Pakistan that delaying economic reform or reversing decisions that have already taken could undo the economic stability achieved over the past three years.

"The economy has turned in a different direction, and set a new course for growth," IMF Resident Representative Tokhir Mirzoev said on Wednesday while talking to a select group of journalists.

"The economy in Pakistan might not have reached the final destination, but it is in the right direction. This is more important to appreciate," he commented.

Last week, the IMF and Pakistan completed the $6.4 billion bailout programme on a successful note. This programme was the first ever to have reached completion out of the total 11 IMF programmes.

At the close of the programme, Mr Mirzoev said the real challenge was now for the policymakers to build on what Pakistan has achieved in the last three years and to continue the momentum of the reform process.

"The end of the IMF programme did not mean an end of the reforms," he said, adding that in case the reforms were not pursued or earlier decisions reversed, Pakistan might end up with a crisis.

He said Pakistan had a much strong financial position at the central bank in the form of foreign exchange reserves, and much better fiscal position in respect of budget.

This, he said, meant Pakistan was now more resilient to shocks for quite some time. He further said that in case of small to medium shocks, the country had enough buffers to absorb it without falling into crisis and without asking for emergency assistance.

The current situation "gives an opportunity to Islamabad to build on it", he said.

Answering a question about the reasons of economic crisis, he said it did occur either because of external shocks or domestic bad economic policies or mismanagement.

In the post-programme monitoring, he said the IMF would now only review the performance of economic indicators two times a year.

He specifically talked about the accumulation of reserves which he said was not alone the outcome of borrowing and there were other factors as well.

The IMF official said almost all targets which were set at the start of the programme were achieved. Replying to a question, he said there was no harm in giving waiver as long as the reform was going in the right direction.

Mr Mirzoev said the speed of accumulation of circular debt has declined over the years. It is the outcome of multitude of factors in achieving the results, he said, adding that the results could have been better in case the government carried out the privatisation plan.

On falling exports, he said there were several other factors other than fiscal policy which helped in boosting proceeds. He counted ease of doing business, efficient energy supply and business environment as reasons behind drop in exports.

The IMF resident representative said Pakistan had a narrow tax base. As a result, the tax-to-gross domestic product (GDP) ratio was now around 12pc, which should have been around 15pc. In fact, this should be in the range of 20pc keeping in mind the comparable economies, he said.

The tax measures taken by the Federal Board of Revenue (FBR) in the last three years was one way to tax those segments of the society who paid no taxes while enjoying public goods, he said.

The purpose of withholding taxes, he said, was not only to bring more people into the tax net, but also to raise the revenue. In Pakistan, he said, the identification of non-filers for tax purposes was an alternative because you could not force it due to strong opposition. “We have seen it in the case of traders and real estate stakeholders,” he said.

Mr Mirzoev also suggested that the system of withholding tax needed to be refined in a way to protect the vulnerable segment of the society to file paperwork for getting refunds. “Let’s improve the system to benefit a large number of people,” he said.

On the refund issue, he said the FBR needed to come up with a transparent system to separate the eligible and non-eligible refunds so that the genuine refunds were issued within the time frame.

http://www.dawn.com/news/1276764

PAKISTAN FACES OVER 20% DROP IN FOREIGN REMITTANCES
The Express Tribune, August 11th, 2016
KARACHI: Overseas Pakistani workers sent remittances amounting to over $1.3 billion in July, down 20.2% from the same month of 2015, according to data released by the State Bank of Pakistan (SBP) on Wednesday. On a month-on-month basis, the drop in remittances clocked up at almost 36% in July, as overseas Pakistanis had remitted over $2 billion in June.

Speaking to The Express Tribune, Invest and Finance Securities CEO Muzammil Aslam said Pakistan could face a balance of payment crisis should the substantial drop in remittances persist in coming months.

Pakistan received remittances amounting to $19.9 billion in 2015-16, up 6.4% from the previous fiscal year. Remittances play a major role in stabilising the country’s external sector, as they make up for almost half of the import bill and cover the deficit in the trade of goods accounts.

Aslam said recent job cuts in Saudi Arabia constitute one of the many reasons for the sudden drop in remittances in July. As many as 8,000 Pakistani workers are stranded in Saudi Arabia without employment following massive job cuts in its construction industry, according to Bloomberg News.

The drop in global energy prices has hurt oil-producing economies, especially in the Middle East. This has resulted in a decline in government spending, which is causing job losses, particularly in the construction sector.

Inflows from Saudi Arabia were the largest source of remittances in 2015-16 with the total remittances clocking up at $5.9 billion for the last fiscal year. The trend continued in the first month of 2016-17, with Saudi Arabia-based Pakistanis sending home $378.7 million in July. However, the inflows from the kingdom dropped 20.2% and 35% in July on an annual and month-on-month basis, respectively.

Aslam added that the recent exit of Britain from the European Union and the resulting drop in the value of the pound against major global currencies may also have played an important role in the sudden decrease in remittances last month.

Remittances from the United Kingdom remained $143.6 million in July, down 38.2% and 53.6% on an annual and monthly basis, respectively.
The Eid factor is also behind the drop in inflows in July, Aslam added. Remittances usually jump ahead of Eid and witness a drop in the following month, SBP data shows. Aslam said Pakistan received record-high remittances in June, as Eid was expected in the first week of July. Subsequently, remittances dropped in July, as most overseas workers had already remitted money ahead of the annual religious festival.

Speaking to The Express Tribune, SBP Director Abid Qamar dispelled the impression that the decrease in remittances in July was a result of job cuts in Saudi Arabia.

"I think the decline in remittances has nothing to do with Pakistanis losing jobs in Saudi Arabia," he said, adding that these workers constitute a small percentage of the hundreds of thousands of Pakistanis currently employed in Saudi Arabia. "Those people lost their jobs many months ago. Their loss of jobs reflecting in remittances data only now is unlikely," he noted.

Qamar also downplayed the Brexit factor on remittances, saying its effects will take many months to materialise. Instead, he attributed the notable drop in remittances last month to the Eid factor as well as the fewer number of working days in July.

Remittances received in July from the United Arab Emirates (UAE) decreased 20% to $293.7 million on a year-on-year basis. Remittances from Gulf Cooperation Council (GCC) countries, excluding Saudi Arabia and the UAE, clocked up at $169.6 million in July, down 14.3% from the same month of the preceding fiscal year.

Remittances from the United States also dropped to $169.7 million in July, down 33.5% from a year ago.

http://tribune.com.pk/story/1159979/pakistan-faces-20-drop-foreign-remittances/

WARNING SIGNS FOR THE ECONOMY
The Express Tribune, August 12th, 2016.

The country's finance managers have traditionally looked towards remittances to be the salvaging grace in times of falling exports, shrugging off any concerns over balance of payments. But what if both avenues of foreign exchange start recording a hefty drop at the same time? With the IMF's Extended Fund Facility having ended, the country is not due to receive any hefty amount of foreign exchange in the near future, pointing towards increased pressure on its current reserves.

In the latest development, Pakistan's exports recorded yet another decrease in July, plunging seven per cent year-on-year, while imports continued to grow. At the same time, overseas Pakistanis sent remittances amounting to $1.3 billion in July, a sharp 20 per cent decline with amounts coming from the UK, the US, and Saudi Arabia recording a hefty fall.

A State Bank of Pakistan official felt the drop was due to remittances being sent home ahead of Eid, which fell at the start of July, and fewer working days during the month. He downplayed concerns over Brexit and workers losing jobs in Saudi Arabia. At one level, these arguments do make sense.

But it should be noted that the overall growth in remittances registered a slowdown in fiscal 2016, and there is no denying that there is added pressure since falling oil prices have held back spending from various governments. Job losses aside, pressure on remittances from workers and a downturn in the world economy, which has led global financial institutions to revise growth figures, will add pressure on Pakistan's favourite foreign exchange revenue source.

When such news is coupled with already-falling exports, the future looks slightly hazy — even if you have over $22 billion in your account. The oil supply glut will not persist forever and prices may recover to an extent. When they do, the import bill will increase straightaway. However, remittances may take longer to grow.

Incentives for exporters, announced in the federal budget, are also unlikely to result in the increase Pakistan was hoping for. Structural concerns as well as competitiveness issues are likely to remain impediments for the economy going forward. These need to be tackled now.

http://tribune.com.pk/story/1160402/warning-signs-economy/

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September 2016

NEWS COVERAGE PERIOD FROM SEPTEMBER 19 TO SEPTEMBER 25TH 2016

ECONOMIC REPORT CARD, YEA OR NAY?

Dawn, Business & Finance weekly, September 19th, 2016

Nasir Jamal

In recent years, Pakistan's equity market has outperformed its regional rivals in China and India by a big margin despite poor security conditions at home and worse-than-regional key macro-economic indicators, according to Forbes magazine.

The magazine's endorsement of the Pakistani market must have cheered up the Nawaz Sharif government, struggling to deliver on its election promises, such as ending rolling blackouts, in the face of a political challenge by the rival Pakistan Tehrik-i-Insaf.

Such endorsements by foreign institutions and media are often touted by the government as a 'success certificate' of its economic and financial policies. What the government and its supporters tend to conveniently overlook, or downplay, while flaunting 'international approvals' are the 'words of caution' that often accompany these endorsements as footnotes.

The country's economy is indeed in a much better shape now than it was before the PML-N came to power over three years ago. It has picked up momentum and growth has escalated to an eight-year high of 4.7pc. Inflation is at its lowest in decades and is expected to remain much below the target of 6pc for the present year.

The current account deficit has been significantly reduced to an average 1pc, from 4pc, and the fiscal gap has been almost halved to 4.3pc from 8.2pc of GDP. Remittances sent by Pakistani workers from across the world have peaked to $19.90bn from $13.9bn, and foreign exchange reserves have doubled and are good for the five-month import bill of the country. The IMF feels that Pakistan economy has now reached a position where it will be able to absorb mild shocks.

But that is that. Little has been done so far to restructure the economy on a sustainable growth path as is reflected by sliding exports, failing agriculture and a collapsing power sector. Private investment is still depressed despite the interest rate of 5.75pc being at its lowest in 46 years. Pakistan remains a frontier market in the eyes of foreign investors with risks outnumbering positive developments as is indicated by falling FDI over the years.

Exports have dropped by a fifth in three years. And this downward journey continues unhindered with the country's overseas shipments going down by 8.19pc and imports rising by 10.32pc in the first two months of the ongoing fiscal, to August from a year ago. The trade gap has, thus, widened by over 27pc, wiping out benefits of low global oil prices and growing remittances.

Several domestic and international factors are responsible for the continual drop in exports, especially textiles. No doubt, the slowdown in global demand is one major reason for the falling exports but a cursory look at the increasing share of India, Vietnam and Bangladesh in global textile trade shows that our textile products, which fetch 55-60pc of export revenues, have been priced out in the international market because of an appreciating exchange rate, power shortages and the myriad taxes on exporters.

“(Smaller) textile mills are under stress and closing down. Larger groups are holding up but it is only matter of time that some of them also start caving in, unless problems restraining the sector’s growth are resolved,” Mian Mohammad Mansha, chairman of the Nishat Group of Companies, had told the writer last month.

Others agree. “It is crucial for policymakers to support the country’s export sector in order to accelerate overall economic growth in the near to medium term, protect jobs and reduce pressure on forex reserves, as large foreign debt payments become due over the next few years,” Ali Khizar, an economic analyst, argued.

Pakistan is to repay an average $5bn a year in foreign debt payments until 2020, according to the central bank. Saad Khan, a financial analyst at Arif Habib Securities, says forex reserves could drop from the present $22bn to $17-18bn because of higher machinery imports, falling exports, stagnating remittances and debt repayments by the end of the present financial year.

“An increasing machinery import bill on account of CPEC power projects and corporate expansion plans will bring some pressure on reserves, but it will fuel growth — though in the long run.”

Farmers feel that agricultural growth will remain subdued for many years because the government has failed to implement structural reforms in this sector.

“The food import bill will rise over time because farmers are under enormous stress owing to high production costs, water shortages, lower international commodity prices and changing climate patterns,” Rao Ijaz, a grower from Bahawalnagar, said.

“Little is done to prepare agriculture to meet future challenges.”

Last but not least, the government’s planned power sector reforms seem to have fallen through. With its focus on maximising generation before the next elections, it has totally ignored issues like high system losses, improving bill recovery from users and privatising distributions companies. Many private power producers doubt the government claims of achieving its generation target.

“Even if the generation target is achieved, it will have an uphill task of taking power to the doorsteps of users, as well as controlling loss and theft, and recovering bills in full that add to generation costs and make electricity enormously unaffordable for consumers,” said a private power producer.

Asad Zaman, vice-chancellor of the Pakistan Institute of Development Economics, doesn’t agree with critics of the government policies and believes that the economy is in great shape with the twin deficits under control, inflation down, interest rates at their lowest in many decades, and forex reserves at a historic high.

“The economy is growing rapidly as domestic and foreign private investment is pouring in. With the IMF programme out of the way the government is thinking of ways to increase public development spending. Actually, we can exceed the growth target for the current year if we push a little harder.”

But can we

http://www.dawn.com/news/1284629

CHINESE INVESTOR EYEING STAKE IN DEWAN CEMENT
The Express Tribune, September 24th, 2016

Karachi: In a development that may raise eyebrows in a highly competitive cement industry, a Chinese investor has expressed interest in due diligence of Dewan Cement Limited in order to acquire a stake in the company.

“We have received a request through email from a potential Chinese strategic investor seeking permission for due diligence of Dewan Cement, which may eventually lead to acquisition of shares in our company,” said a company notice sent to the Pakistan Stock Exchange on Friday.

“We intend to permit due diligence; if any material development takes place, we will communicate the same to the (stock) exchange and the Securities and Exchange Commission of Pakistan.”

The development is expected to create an interesting situation in the cement sector where a number of companies are already vying to increase their market share.

“If this due diligence results in some deal, the new investor will most likely install a new plant which may take up to three years to start operations. So this is not an immediate threat to the cement cartel,” Sherman Securities analyst Sadiq Samin told The Express Tribune.

“The due diligence process will itself take two to three months and then we will have to look how it affects the market.”

This would not cause any jitters because cement demand was growing continuously, he said when asked whether the entry of a foreign player would spark fears.

Dewan Cement has a production capacity of around 2.88 million tons per annum, constituting 6.1% of the total installed capacity of 45.6 million tons of the cement industry. It has two manufacturing units including Pakland Cement and Saadi Cement.

Analysts suggest that the situation would have been different if the company had installed a new plant and the Chinese player could immediately start manufacturing cement after taking it over.

Pakland Cement was established in 1981 at Deh Dhando in Malir district, Karachi. The plant was fully operational by 1985 and producing Ordinary Portland Cement.

Anticipating a further growth in demand, cement companies are aggressively engaged in expansion of their plants.

Cherat Cement, Attock Cement, DG Khan Cement and Lucky Cement have already announced expansion plans and these plants will come online over the next three years. The combined investment by these players is expected to be in the range of $700 million to $1 billion.

The construction sector, a major consumer of cement, posted an excellent 13% growth in fiscal year 2015-16 compared to average growth of 4% in the past four years due to economic recovery and the booming real estate sector, according to the Pakistan Economic Survey 2016.

The government expects construction-related activities to pick up further momentum on the back of increasing public sector development spending coupled with massive infrastructure and power projects under the China-Pakistan Economic Corridor (CPEC).

http://tribune.com.pk/story/1187284/potential-new-player-chinese-investor-eyeing-stake-dewan-cement/

NEWS COVERAGE PERIOD FROM SEPTEMBER 11TH TO SEPTEMBER 18TH 2016

DAR ASKS FRANCE TO LIFT TRAVEL ADVISORY TO FACILITATE INVESTORS

Dawn September 17th, 2016

PARIS: Finance Minister Ishaq Dar has requested France to lift travel advisory to encourage and facilitate French investors interested to explore business possibilities in Pakistan.

Talking to the media on Friday, Mr Dar, who is on an official visit to Paris, said closer economic relations will cement bilateral ties. “We requested them to lift travel advisory and invited the French foreign minister to visit Pakistan which he in principle accepted,” he remarked.

“We have also shared our automobile policy with the French minister,” he said, adding that improved economic situation of Pakistan was generating investors’ interest in the country.

The minister said it was an opportune time for overseas Pakistanis to invest in their home country that is at the cusp of a major economic turnaround. He mentioned the Board of Investment (BoI) in this regard for guidance and facilitation.

Mr Dar further said several French companies have shown keen interest to build new partnerships in Pakistan and to strengthen the already existing business relations in various sectors of economy.

A business delegation from France would be visiting Pakistan in the first half of next year to explore options, Thierry Pflimlin, President Pakistan-France Business Council, informed Mr Dar during a meeting.

Mr Pflimlin, who is also senior vice-president corporate affairs at Total, informed the finance minister that infrastructure development, oil and gas, food processing, mining and railways were identified as prospective areas for future cooperation, according to statement.

The minister offered to help French companies to set up a special economic zone in Pakistan to cater for local markets and export to neighbouring countries in the region.

Later, Mr Dar also held meetings with senior executives of the French company Veolia, which specialises in solid waste management and environment services, and Vetigraph, which has an expertise in latest IT and software technologies for textile and fashion industry.

Earlier, Senator Dar also visited the headquarters of French Federation of Energy Producers in Paris, where he was received by the president and senior executives of the federation.

He briefed them about various ongoing energy projects in Pakistan and scope for future investment in the sector. He invited French energy companies to invest in Pakistan, especially in the solar and wind sectors.

“The meeting with French foreign minister was very useful and comprehensive,” Mr Dar said.

http://www.dawn.com/news/1284180/dar-asks-france-to-lift-travel-advisory-to-facilitate-investors

GEOGRAPHICAL INDICATION: GOVT URGED TO IMPLEMENT PRODUCT PROTECTION LAW

The Express Tribune, September 17th, 2016

KARACHI: A leading chamber of businessmen and traders has called on the government to immediately implement the Geographical Indication Protection Law, designed in 2001 with the objective of shielding Pakistan’s products and getting fair prices in the international market.

"Absence of the Geographical Indication Protection Law has already caused losses of millions of rupees to Pakistan's economy as the country has not been able to fetch good prices for its products in the world market," said Federation of Pakistan Chambers of Commerce and Industry (FPCCI) Senior Vice President Shaikh Khalid Tawab in a statement.

Neighbouring India implemented the law in 2003 and since then it has given protection to its 220 products whereas the Central and South American region has protected its 400 products. Even the African region has registered a product through geographical indication.

Geographical indication is a sign on products that have a specific geographical origin and possess qualities due to that origin.

Tawab pointed out that Pakistan and India were engaged in a tough competition because of common history and civilisation and in the past Pakistan had lost its basmati rice market due to the absence of geographical indication.

On the other hand, India has gained greater market access and has grabbed Pakistan's share.

Saying that Pakistan had been blessed with diverse geography, climate, soil, culture and traditions, he stressed that many of Pakistan's products related to the agriculture and manufacturing sectors qualified for protection under geographical indication.

Sindhri mangoes, green cardamom, Khairpur Aseel dates, Hunza apricots, Hala handicrafts, Khanpur oranges, Chiniot furniture and Sindhi Ajrak and cap are some of the unique products that can be protected under the law.

This will promote economic development, particularly the development of rural areas, and help enhance export earnings.

http://tribune.com.pk/story/1182914/geographical-indication-govt-urged-implement-product-protection-law/v

NEWS COVERAGE PERIOD FROM SEPTEMBER 5TH TO SEPTEMBER 10TH 2016
GOVT TO ENFORCE NEW COMPANIES LAW SOON
The Express Tribune, September 6th, 2016.

Farhan Zaheer

KARACHI: Finance Minister Ishaq Dar said on Monday the government could issue an ordinance to turn the Companies Bill 2016 into law in a matter of days after experts get back with proposals for amendments to the draft.

"I urge the private sector to come up with their suggestions in the next two to three days so that we can issue an ordinance to swiftly implement the Companies Bill 2016 instead of passing it through parliament that may take three to four months," he said while speaking at a seminar on "The Draft of Companies Bill 2016".

The seminar was attended by a large number of corporate leaders.

Dar voiced hope that the new law would improve corporate governance in Pakistan. "It's a historic day for Pakistan," he said, adding the Securities and Exchange Commission of Pakistan's (SECP) team had completed a task that had dragged on for over 15 years.

He said the SECP team and private-sector experts worked very hard for drafting the Companies Bill 2016. "Where there's a will, there's a way," he remarked.

He also spoke about improvement in macroeconomic indicators, saying Pakistan needed to capitalise on the improving indicators by continuously focusing on higher economic growth.

“I am a firm believer in Pakistan’s economy and I am sure that the country can achieve much higher economic growth from where it now stands,” he said while highlighting the government’s economic performance over the past three years. Speaking about energy shortages, he declared that the government would be able to further cut down load-shedding by at least 25% in the next few months because major energy projects would start producing electricity by mid-2017.

Commenting on the prospects of improving tax collection, Dar said recent regulations for the real estate sector would massively increase tax revenues. “Tax collection from the real estate sector will rise from Rs9 billion to Rs100 billion,” he added.

Earlier, Institute of Chartered Accountants of Pakistan (ICAP) President Hafiz Mohammad Yousaf said the new companies’ bill would help increase tax collection and called the government’s recent regulations for the real estate sector an unpopular, but a very bold move.

SECP Chairman Muhammad Zafarul Haq Hijazi was of the view that the Companies Bill 2016 would strengthen regulations and improve corporate governance in Pakistan.

“I am sure the Companies Bill 2016 will significantly improve Pakistan’s global ranking in the ease of doing business over the next one year,” State Bank of Pakistan (SBP) Deputy Governor Saeed Ahmad commented.

http://tribune.com.pk/story/1176773/companies-bill-2016-govt-enforce-new-companies-law-soon/

DAR SUGGESTS INVESTMENT IN RESEARCH TO ISLAMISE ECONOMY
The Express Tribune, September 6th, 2016.

Salman Siddiqui

Karachi: After experiencing privatisation over the past decades, this time around the government of Prime Minister Nawaz Sharif is all set for Islamisation of the entire economic system of the country.

“We need to change our perception (about Islamic financing) and invest in research as a core ingredient of our strategic objective which is to Islamise the whole economic system,” said Federal Finance Minister Ishaq Dar.

He was addressing the World Islamic Finance Forum organised by the Centre for Excellence in Islamic Finance, IBA, in partnership with academia, research houses and Islamic banks.

“Islamic finance industry leaders and others should play an active role in promoting this industry to be successful in this world and in the one hereafter,” he said, adding “we as Muslims must avoid Riba (interest on lending money).”

Dar said the industry should not remain complacent with the traditional model and methodology. “Things change gradually. Let us help our Islamic finance industry evolve as well. We need to make a resolve to innovate products based on Shariah compliance.”

Dar said though Islamic finance had been around for the last five decades, it got more attention only after the 2008 global financial crisis.

Extending full support to the industry, the minister said the government had instructed the Ministry of Finance to approach Islamic banks whenever they were in need of raising funds for development work. “The tax treatment of Sukuk (Islamic bonds) was brought on a par with conventional bonds on August 21 through the promulgation of an ordinance in order to support the issuance of and investment in Sukuk,” he said.

He quoted former UK prime minister David Cameron talking him the other day, saying, “this industry is going to lead conventional banks in due course in a decade or so.”

Dar said economic growth in Pakistan had crossed 4% and had remained steady at 5% this year. “This growth rate will accelerate to 7% in fiscal year 2017-18.”

Later referring to a BBC report, he said Pakistan would become the 18th largest economy of the world by 2050 from the current 44th position.

State Bank of Pakistan Governor Ashraf Mahmood Wathra said the Islamic finance industry was growing at a rapid pace across the world. “The global Islamic finance industry was worth $1.8 billion in 2015 from a mere $150 million in the 1990s; its assets are estimated to reach $6.5 billion by 2020,” he said.

Wathra said Asia played a key role in advancing the Islamic finance industry and according to the Islamic Development Bank’s report in 2015, Pakistan remained a potential leader.

“The Islamic finance industry should not be built as an alternative or parallel to the conventional banking industry, rather, it should be promoted with the prime objective of making the economy interest-free,” said Meezan Bank Shariah Board Chairman Mufti Muhammad Taqi Usmani.

The speakers said Islamic banking was all about sharing risks instead of transferring or shifting risks to others.

http://tribune.com.pk/story/1176774/shariah-compliant-dar-suggests-investment-research-islamise-economy/

THE ROAD TO KNOWLEDGE ECONOMY
The Express Tribune, September 10th, 2016.

Naveed Iftikhar

Peter Palchinsky, an engineer by profession and policy adviser of the Soviet Union, was executed in 1929 by the then tyrannical Soviet regime. His unpardonable sin was the independent opinion on the Soviet Union’s infrastructural, industrial and scientific ambitions at that time. He was of the view that keystones of a knowledge economy and technological advancement were political, social and educational.

In short, he was against autocratic decision-making and a top-down approach to development. Some time ago, several aspects of his life were uncovered in the book, The Ghost of the Executed Engineer: Technology and the Fall of the Soviet Union. Palchinsky failed in his ambitions, and so did the Soviet Union in chasing the goal of becoming a knowledge economy.

Slogans of turning Pakistan into a knowledge economy have been echoing in the political corridors but the reality is that the country ranks 126 out of 140 countries in the global competitiveness indicator of the World Economic Forum — while India is ranked 55, Iran 74, Turkey 51, South Africa 49, Kenya 99, Ethiopia 109, Malaysia 18 and Indonesia 37.

When it comes to innovation and sophistication factors — sub-indices of the same dataset — Pakistan is ranked 89, Indonesia 33, China 34, Sri Lanka 41, India 46, Turkey 56 and Ghana 65. I won’t delve into the accuracy and relevance of this (or other similar) indicator(s) in this piece, so will take the aforementioned ranking as an approximation of the current state of knowledge, institutions and competitiveness.

If you ask anyone in the country about the reason behind this poor performance, the answer would be resource constraints. However, I feel that the question of the abundance or paucity of resources comes at a later stage. The foremost prerequisite is to be open to new knowledge and ideas, something which does not need a lot of money.

A knowledge spillover can be achieved and sustained by attracting and respecting talent. Unlike in the erstwhile Soviet Union, government officers and policy experts are not hanged (at least by the state) in Pakistan on account of their independent opinions. But they are isolated and stereotyped for their independence of thought. Governments don't want diversity of opinion on projects and plans. Resultantly, the public sector is no more a talent magnet.

Recently, a piece by Ayesha Siddiqa titled "The old man & the sea" appeared in this newspaper, which powerfully articulated our aversion to talent and lack of alternative voices in foreign policy circles. Unfortunately, the public sector is not unique in this regard.

The business sector — and society as a whole — is also not open to diversity and talent. A routine practice is to appoint an ill-mannered and spoilt family member as chief executive instead of bringing professionals to run family businesses. Our business firms are as bureaucratic as the public sector.

If you ask a business owner about the challenges he/she faces, they will give you a laundry list of governmental weaknesses while giving little thought to what can be done without the government — being energy efficient, focusing on product/process innovation, value addition, managerial excellence and so on. Innovation and knowledge are produced and transmitted in flatter and decentralised business organisations where ideas jumble up to produce new products and processes or improve the quality of existing ones.

Internationally, businesses are collaborating and pooling resources — even with their competitors — to bring innovation to their products and services. But deceptive practices and rent-seeking through allying with the power corridors appear to be the ultimate goals of many businesses in Pakistan.

During my experience of managing public-private dialogue in the country, I rarely came across businessmen talking about collective gains. Instead, the focus was always on taxation issues and exemptions. The irony is that many of the so-called civil society organisations have also turned themselves into contractors instead of developing the civic capacity to address social, political and economic issues at the grassroots level.

The education sector continues to suffer due to a host of factors. Developing a knowledge economy isn't just about sending a higher number of kids to school, it is also about the quality of education and the way it is imparted and aligned with local and global needs.

Higher education institutions are the ideal platforms for cross-fertilisation of ideas if the academia can think beyond its current overwhelming focus on internationally-funded studies. However, the nascent effort of Information Technology University, Lahore to attract qualified faculty and to connect scholarship with industry and society is a remarkable shift.

The Punjab government has also recently announced the development of a knowledge park for which details are still awaited. We need to be cognisant of the fact that concentration of high-value businesses emerges when there is a spontaneous interaction of diverse ideas and resources.

Public policy does have a role i.e., of providing quality infrastructure, enabling institutions, and funding for research and education. The objective should be to create an ambience for knowledge and innovation instead of imposing a solution.

Society as a whole needs to demand and practise innovation. For example, parochial norms and dominance of big corporations in South Korea made the culture there averse to small-scale innovation and entrepreneurship. However, the new generation challenged these norms to demand space for new ideas and exploited knowledge spillovers from big corporations. South Koreans were successful in completely transforming their culture. And their government supported the revolution with the world's highest per capita funding for research and development.

Let’s turn to cities as they are considered engines of growth and hubs of knowledge and innovation. In the middle of the last century, American urbanist Jane Jacobs advocated the fostering of mixed, lively neighbourhoods, and revolutionised the movement against top-down projects in New York City.

She also critiqued Adam Smith’s idea of efficiency and came up with the notion that cities develop by adding new and better products/services, not with efficiency of existing activities. She wrote: “If we were to measure economic development rate of a city, we could not do so just by measuring its output in a year or any group of years.

We would have to measure, rather, the additions of new work to its older output, over a period of time, and the ratio of new work to the older work.”

Our cities continue to make failed attempts to improve efficiency of existing low-value business activities. There is little thinking about diversity and new knowledge. The road to knowledge economy has to be paved with the fostering of enabling socio-political institutions and respect for talent and diversity.

http://tribune.com.pk/story/1179484/road-knowledge-economy/

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October 2016

NEWS COVERAGE PERIOD FROM OCTOBER 24TH TO OCTOBER 30TH 2016

ECONOMIC REPORT CARD — Q1

Dawn, Business & Finance weekly, October 24th, 2016

Nasir Jamal

Pakistan’s economy has recovered somewhat over the last three years as is underscored by the improvements in the fundamental indicators and the International Monetary Fund’s parting note released earlier this month. Chances of a crisis revisiting the economy any time soon appear minimal.

The economy is expanding — though at a much slower pace than is required to create enough jobs for over 2m people entering the market every year — and seems to have developed sufficient strength to even absorb the ‘shock’ of a potential surge in global oil prices in the near future.

The foreign exchange reserves have peaked to above $24bn, multilateral lenders are ready to dole out more money and international investors willing to buy government bonds — at least for the time being.

But the ‘recovery’ remains feeble and perched on extremely rickety foundations as suggested by the economic data available for the first quarter of the ongoing financial year to September.

The current account deficit, for example, has widened to 1.7pc of GDP to $1.36bn, up by 136pc from $579m or 0.8pc of GDP a year ago, on an increasing trade gap, falling remittances and foreign private capital inflows, according to a media report.

Trade deficit has gone up 30pc year-on-year to over $7bn, with merchandise exports plunging over 9pc to $4.67bn and imports growing 10.5pc to $11.74bn. Remittances sent by overseas Pakistanis, which cover almost 45pc of the nation’s imports, are down 5.4pc to $4.69bn from $4.96bn as oil exporting countries are coping with low global prices by cutting jobs to save costs. The size of foreign direct investment has shrunk 38pc from $403m to just $249m. The pace of growth in large scale manufacturing is slowing and the agriculture sector remains in difficulty.

“The economy continues to recover and we are out of the danger zone. Though our economy is less vulnerable today, the recovery is fragile and serious challenges to its long-term durability remain. A lot — the tougher part related to long-standing structural issues impeding investment and growth — is yet to be done as Pakistan still remains one of the least competitive economies internationally; at the bottom of the global development ranking,” Lahore Chamber of Commerce and Industry president Abdul Basit warns.

He points out that tax collection has increased, but little has been done to directly tax the untaxed and under-taxed segments in order to net new taxpayers and reduce taxes on existing businesses. “Similarly, nothing concrete is being done to control electricity distribution losses and theft, and the entire burden has been shifted to the consumers in the shape of higher power tariffs. Nor has anything been done to plug the leakages in the public sector.”

Basit argues that Pakistan’s economic recovery is primarily founded on low global oil prices and international debt accumulated over the last three years, rather than on an increase in exports, investment and tax-to-GDP ratio. “The need of the hour is to tackle the long-standing structural issues impeding investment in the industry, and growth in exports, by reducing the cost of doing business and lowering taxes,” he explains.

Private investment has picked up in certain sectors like cement, as these industries see an opportunity for themselves with energy and transport projects under the China Pakistan Economic Corridor picking momentum. But, as pointed out by the IMF, in its report on the conclusion of the three-year $6.2bn loan facility, private investment remains too low to support growth (despite improvements in energy supplies to the industry).

Bankers too don’t see a lot of investment in the near future unless the government takes measures to improve the business climate. “Business persons are coming to us to explore opportunities but there is still a lot of cynicism despite low credit costs. I don’t see much investment outside CPEC-related projects in the next couple of years,” a Karachi-based banker insists.

Jeved Kayani, chairman of the Pakistan Sugar Mills Association, too is rather pessimistic about new investment in the country at the moment. “Poor security conditions, political uncertainty, law and order issues in Karachi, business-unfriendly bureaucracy, harsh regulatory environment, etc are keeping business persons from investing in expansion,” he says.

He is also worried about the looming pressures on the balance of payments situation in view of falling exports and remittances. “So far the external sector is not faced with any imminent threat. But the policymakers must understand that the situation will not take long to reverse if the country’s exports aren’t increased, and investors not encouraged, through favourable policy.”

Kayani is of the view that it is the government’s obligation to facilitate and provide incentives to sectors like textiles — whose exports have become uncompetitive in the international markets — to protect existing jobs and create new ones.

“It is high time that any industry that has the ability to fetch dollars and euros is facilitated and encouraged to export. (But) I don’t think exports and investments are currently on the government’s priority list.”

http://www.dawn.com/news/1291815

GOVERNMENT MAKES FRESH BORROWING OF $1.8 BILLION
The Express Tribune, October 28th, 2016.

Shahbaz Rana

ISLAMABAD: The federal government took $1.8 billion in fresh foreign loans over the past three months including $900 million from commercial banks in an effort to keep foreign currency reserves at historic highs amid growing external debt repayments.

Pakistan's all-weather friend China also came to its rescue and provided $700 million for 10 days so that the country could meet its external obligations without taking a significant hit on the foreign currency reserves. China Development Bank extended the $700-million loan.

The government borrowed the money from July through September 2016 and a bulk of it – $1.32 billion – came in the last month, according to official documents.

With the fresh borrowing, the total foreign loans that the PML-N government has obtained in its three-year stint have shot up to $26.8 billion.

Of these, $13 billion was spent on the repayment of previous loans while the remaining was added to the debt stock. This did not include the $1 billion the government raised this month by floating an international Sukuk at an interest rate of 5.5%. The debt is ballooning amid warning from the International Monetary Fund about the "high level of public debt".

Of the $1.8 billion, Pakistan had returned $1.1 billion to the foreign creditors, showed the documents. The net addition to external debt in the last three months was $795 million.

However, the most worrisome aspect was the borrowing of $900 million from the commercial banks. It seems that these non-conventional borrowings have become a norm instead of an exception. Since June 2013, the government has borrowed $2.8 billion from foreign commercial banks.

Unlike international bonds that are issued in a transparent manner, the loans from foreign commercial banks are secretive as they do not allow competitive bids.

Of the $900 million, $200 million was borrowed from UAE-based Noor Bank PJSC and the remaining from China Development Bank.

A senior official of the finance ministry insisted that the government had received these loans at lowest interest rates but he did not disclose the rates and terms. He argued that the finance ministry had the authority to take such loans without competitive bidding.

The much-touted highest-ever foreign currency reserves have largely been built through acquiring expensive foreign loans, which according to independent economists is not a sustainable way to increase the reserves.

On October 21, 2016, the foreign currency reserves held by the central bank stood at $19.32 billion.

Another worrying trend was that net inflows from traditional multilateral creditors like the World Bank and the Asian Development Bank were negative.

The ADB gave $115.8 million in loans but the country paid back $237 million from July through September. Similarly, the World Bank extended $57 million, but the government returned $206 million on account of principal and interest payments.

The main reason behind the negative inflows was the inability of different ministries to timely process the loans and the slow pace of project implementation.

http://tribune.com.pk/story/1212556/foreign-loans-government-makes-fresh-borrowing-1-8-billion/

NEWS COVERAGE PERIOD FROM OCTOBER 17TH TO OCTOBER 23RD 2016
FDI POSTS 38 PC DECLINE IN Q1
Business Recorder, 18 October,2016

Rizwan Bhatti

KARACHI: Foreign Direct Investment (FDI) presented a dismal performance and posted some 38 percent decline during the first quarter of this fiscal year.

The State Bank of Pakistan (SBP) Monday revealed that FDI continuously moving down and fell by 38 percent during July-Sep of FY17 compared to same period of last fiscal year. Pakistan fetched FDI amounting to $249 million during the first quarter of FY17 compared to $403 million in the corresponding period of FY16, depicting a decrease $154 million.

Economists argue that political uncertainty and lake of infrastructure is largely contributing to lower foreign investment in Pakistan. PTI is again preparing for a mega protest in Islamabad and this announcement has created panic among foreign investors, they added.

"Foreign investors have adopted the wait-and-see policy and closely monitoring Pakistan's economy, which is gradually improving," they said and added that foreign investors also need political stability for long-term investment, besides improved economic conditions and basic necessities.

During the period under review, the country received foreign inflows amounting to $344.7 million against the outflows of $95.3 million on account of FDI. The inflows and outflows of FDI are some 48 percent and 64 percent lower, when compared with the same period of last fiscal year.

However, the second component of foreign investment, i.e, portfolio investment, has posted a surge of 130 percent because of improvement in the country's equity market.

Net inflows of foreign investment in Pakistan comprising foreign direct investment and portfolio investment and foreign private investment fell by 54 percent during July-Sep of FY17. With the current decline, total foreign investment stood at $368 million at the end of first quarter of this fiscal year compared to $793.2 million in the same period of last fiscal year, depicting a decrease of $425 million.

Economists said foreign investors always seek a peaceful environment and basic infrastructure including utilities for fresh investment, therefore the government should ensure availability of basic necessities to attract more foreign investment.

http://epaper.brecorder.com/2016/10/18/1-page/804610-news.html

NEWS COVERAGE PERIOD FROM OCTOBER 10TH TO OCTOBER 16TH 2016
WORLD BANK VICE PRESIDENT BRIEFED ABOUT PACE OF ECONOMIC REFORMS
October 10, 2016
Secretary Finance Dr Waqar Masood Khan met Annette Dixon, Vice President of the World Bank, and briefed her about recent gains by Pakistan's economy following sound reforms, carried out by the government. According to a statement issued on Sunday, during the meeting, held on the margins of Annual Meetings of the IMF and World Bank, the Finance Secretary briefed Ms Dixon about successful issuance of Sukuk Bonds at the lowest rates in Pakistan's history.

The fact that the bonds were oversubscribed 5 times after the completion of IMF Programme, reflected the confidence of international markets in the economic policies of the government, the Finance Secretary said.

He highlighted that it is the first time in history that Pakistan has completed an IMF programme, and that too under a political government. He vowed that the government will continue to pursue sound economic policies to take economic growth to a higher trajectory.

The World Bank Vice President congratulated the Finance Secretary on completion of IMF Programme and successful issuance of Sukuk Bonds.

She conveyed her compliments to the Pakistan's Finance Minister who could not attend Annual Meetings due to pressing domestic engagements.

She expressed the hope that the government will continue the reform process for the benefit of underprivileged strata of society. Ms Dixon stated that the World Bank is proud to be a partner in Pakistan's development programme.

She said that the World Bank is specially looking for deeper cooperation in DPC Loans, clean energy and nutritional programmes.

http://www.brecorder.com/top-stories/0/92391/

IMPACT OF SALES TAX ON NATIONAL ECONOMY – I
Business Recorder,October 10, 2016

Naveed Ul Haq

Presently, the federal sales tax on goods under the Sales Tax Act, 1990 is being collected by Federal Board Revenue (FBR) under Entry No 49 of the Fourth Schedule of the Constitution of Islamic Republic of Pakistan, 1973 (Constitution). The 18th Amendment introduced many changes in the Constitution on April 10, 2010 including addition of the phrase 'sales tax on services' to the original Entry No 49, restricting the right of imposition of tax of the federal government to the extent of 'the taxes on sales and purchases of goods imported, exported, produced, manufactured or consumed'.

The sales tax on services has been devolved to the provinces. The implication of this change is that the provinces can collect the sales tax on services as a provincial levy. Previously, the sales tax on services was collected through the machinery of FBR under the various heads of services like the services rendered by hotels, marriage halls, lawn, clubs and caterers, advertisement on TV and radio, the services conducted by customs agents, ship chandlers, stevedores and the courier services as mentioned in the then Provincial Ordinances which are repealed now.

Under the mandate of 18th Amendment and in line with sanction of 7th National Finance Commission (NFC) Award, it is the province of Sindh, which first took the initiative of establishing a provincial collecting board under the name of Sindh Revenue Board (SRB) with the objective of building the capacity of collection of revenue through independent provincial means and resources and to devise a mechanism and machinery for the said purpose.

The province of Sindh has also introduced a provincial enactment under the name of Sindh Sales Tax on Services Act, 2011 for the imposition of the said tax under the various heads of services. All the remaining provinces followed suit and introduced almost similar provincial enactments for levying and charging the sales tax on services.

The prevailing sales tax system in Pakistan is mainly Value Added Tax (VAT) based system, bearing some of the basic features and characteristics of the universally accepted style and norms of VAT system. Unlike single point of sales tax, VAT is a multistage levy, applicable at each stage of the chain of supply till the stage of bearing the impact of VAT by the end consumer. VAT is collected on the basis of tax paid on sales minus tax paid on purchases or more precisely stated this is output-input adjustment based tax.

Section 3 is the charging section and the registered person is liable to pay sales tax at the rate of 17% or any other applicable rate in the course of furtherance of any taxable activity carried on by him.

The person importing the goods is also liable to pay sales tax at the given rate as mentioned in the charging section. In the scheme of Sales Tax Act, 1990, imports have been made subject to tax under section 3(1)(b) and exports are zero rated by Section 4 of the Act, 1990. Despite the taxable supply of goods or import of goods, section 13 of the Act has exempted certain articles or goods as mentioned in the Sixth schedule from the applicability of charging provision of the tax. In Pakistan VAT is based on 'destination principle' which simply implies that imports are taxed and exports are completely free of the tax.i

The claim of excess input tax by the registered person or timely grant of refund by the exchequer is the Achilles' heel of any VAT system. A VAT invoice constitutes a potential claim on the fiscal resources of the state.ii In Pakistan, Section 10 of the Act, 1990 contemplates that in case taxable purchases exceed the output tax on account of zero rated local supplies or export, the excess amount of input tax is required to be refunded within 45 days of filing the claim to the registered person.

The claim of refund ought to be based upon the genuine amount of excess input credit (after deduction of output tax minus input tax) paid to the exchequer, therefore, the scrutiny and cross matching of output input adjustment is an essential process before release of the refund claim to the registered person.

The FBR sometimes withheld even the genuine claims of the refund amount in order to inflate the figures of state collection or to meet the revenue target set by the government. However, the slow release of refund claims may has adverse effects on the recycling of the funds, at the disposal of businessmen. The refund claims of about PRK 200 billion of the registered persons are still pending with FBR up to the year 2016 despite tall claims of the government to release the same without any further delay.

Basically, the VAT system is based on a principle of mainly self-assessment, self-policing and self-enforcing type of taxation. And, an audit is a tool through which the tax functionaries monitor the business activities after having access to business record and other related documents on annual basis.

The purpose of this exercise is to scrutinise the record and documents in order to forestall any tax evasion. Section 25 of the Act, 1990, has empowered the Commissioner or an officer of the Inland Revenue authorized by the Commissioner to call upon any person in whose possession such record or documents including electronic data is made under his control, to produce such record or documents or give access electronic for the purpose of conducting audit.

"Legally speaking an audit report is at best an opinion of the auditor and a material in support of the departmental version. The audit report is nothing more than part of charge-sheet which needs to be established through the process of adjudication."iii Any person aggrieved by the process of adjudication may approach the departmental hierarchy of revenue authority or Court of law in order to redress his grievance.

In Pakistan, although the federal sales tax was introduced in 1990, however it has been facing fierce opposition from the business circles for its enforcement since then. The apprehension of the business community is two-fold: On the one hand, the record keeping requirement of a VAT is quite cumbersome for uneducated business class and on the other hand, there is every likelihood of harassment and corruption at the hands of the tax officials on account of non-maintenance of the required record.

VAT supporters believe that undocumented economy is the main reason of underperformance of VAT system and in the absence of formal economy beyond certain percentage, the enforcement of VAT is tantamount to allowing the tax evasion with impunity as the system fails to detect and/or plug in the breaches. Under the prevailing state of affairs and in order to cope with the situation for the time being, a single stage retail tax has to be retained side by side with formal VAT system.iv

There is a plethora of taxation issues including narrow tax bases, generous tax concessions, special treatment and exemptions, weak and fragmented revenue administration and defective structural features of the economy, which are not allowing the collection agency(s) to realise an optimal level tax collection from the total tax potential revenue.v

Admittedly, Pakistan's economy is not fully documented and there is a big segment of informal sector which has been spoiling every single step taken in right direction since inception of the introduction of federal Sales Tax Act, 1990. The frequent breakdown of supply chain of production-distribution has caused unwarranted load of tax upon the registered person. The sales tax at federal level has been hovering around 17% which is slightly on the higher side rate on the registered person especially in the social milieu or in Pakistani context when the buyer is unwilling to pay his tax liabilities voluntarily.

The supplier has to pay either from his own pocket, as an additional cost of doing business or lose the buyer straightaway. In any way, the choice is not an easy one either; it is rather quite detrimental for the promotion of business. Fixing of joint and several liabilities upon both the persons of making and/or receiving the supply may have secured revenue for the federal government but it has confused the very concept of fixation of liability upon the defaulting party only.

The success of VAT lies in its complete chain of supply without any disruption or breakage. To achieve this end, there must be very few exempted items or the list of exemptions and VAT must be confined to a very few essential food items of household. "In the United Kingdom, the VAT is progressive mainly because of zero-rating for food, housing and children's clothing. However, while the zero-rating achieves progressivity, it does so at the cost of a great erosion of the tax base, large amounts of revenue forgone, and extraordinarily poor targeting of those groups supposed to be helped"vi

In Pakistan, a long list of exemptions has been provided in the Sixth Schedule and a number of zero rating provisions have been incorporated in the fifth Schedule of the Sales Tax Act, 1990. This special treatment has been creating a bad faith among the genuine tax payers who question the very rationale of this discriminatory approach and/or exclusion of a big segment of society from the scope of charging provisions of the sales tax.

The discriminatory treatment with various articles, items and industries smacks of fiscal favouritism and cronyism. This concessional treatment is being regulated through issuance of various Statutory Regulatory Orders (SROs) issued by federal government at its own discretion without any formal policy. This state of affairs has been causing uncertainty about tax legislation and adversely affecting consistency in policy. This extensive concession has caused frustration and disappointment among the genuine taxpayers and business circle.

Furthermore, the persons who are sitting outside the registered regime enjoy a complete tax-free regime under their own age-old and time-tested notion of 'wait and see, nothing will happen'. This rule of thumb is valid and is still holding the field and is not likely to be shattered anytime soon. The collusion of tax evaders with that of the tax administrators has fortified this perverse viewpoint.

Under this non-compliance tax environment, the tax evaders cannot be convinced to join the formal tax regime and accordingly the tax base remains as small as ever before. The tax evaders violate the tax provisions without any fear of penal consequences. Instead of taking the tax evaders to task, the government keeps on extending concessions and favours by way of amnesty schemes without forcing them to learn lessons from their default.

In Pakistan the tax effort on the part of tax collectors is also at its lowest ebb, and therefore a big amount of tax revenue remains uncollected. The tax administrators have restricted their role to the extent of collecting the taxes which are 'easy to collect' administratively, leaving aside a big chunk of taxes uncollected, considering them as 'hard to collect' from the potential taxpayers. This easy approach of tax collection has virtually excluded a number of articles, items and industries from the scope of charging provisions of the tax in this regard and left a big source of revenue untapped without any lawful justification.

The government keeps on introducing such 'royal orders' by way of various amnesty schemes, SROs, instructions, rulings, and Notification (s) from time to time, creating uncertainty and non-seriousness about tax enforcement. This anti-tax casual conduct has been dissuading the potential taxpayers to join the mainstream of the tax base.

The frequent issuance of such notifications conveys a negative message to potential taxpayers and a perverted approach is fortified that the FBR has a final word on the enforcement, implementation and interpretation of sales tax matters. It is also general perception of the public that FBR can take a U-turn anytime so the taxpayers have to see tax laws through the lens of FBR or try to make arrangement of lobbying at policy level of FBR in order to secure issuance of some favourable SROs.

It has rightly been stated that "Continuous tinkering with, and tweaking of, the tax laws through a steady barrage of SROs over time causes the legislation to lose shape and focus, not to mention undermining the efforts of taxpayers to comply with the laws that are in force at any point in time."vii

http://www.brecorder.com/articles-a-letters/187/92551/

NEW MANDATE PROPOSED TO WB FOR DEVELOPMENT
Dawn October 11th, 2016

ISLAMABAD: A high-level panel on multilateral development banking has proposed an explicit new mandate for the World Bank to promote global public goods critical to development as its major priority.

The new mandate should create a new financing window or fund with a separate governance structure and a target of deploying $10 billion in grant resources annually within the next five years.

The report by the panel has been welcomed by the heads of the Asian Development Bank, African Development Bank, Inter-American Bank Group, and the European Bank for Reconstruction and Development.

The resources should be directed to selected programmes with substantial spillovers at the global level, primarily in agriculture, energy/climate, health and development policy data and research that cannot easily be structured or priced as traditional country operations, according to the report released by the Washington-based Center for Global Development.

The funds should be challenged as grants, including to other institutions; and as subsidies to select lending operations, including those of other multilateral development banks (MDBs), for which borrowers cannot be expected to bear the full costs.

To finance this new mandate, in addition to possible member capital and cash contributions, shareholders should call for a new business model at the World Bank, leveraging future International Development Association (IDA) reflows to free substantial resources for the new grant window.

To finance the new mandate, in addition to possible member capital and cash contributions, shareholders should call for a new business model at the World Bank, leveraging future IDA, reflows to free substantial resources for the new grant window, panel report says.

The heads of regional development banks, in a statement, described the report as an important at a critical moment as the multilateral development partners have moved into a high gear to deliver on the ambition of the 2030 Agenda for Sustainable Development and the historic Paris agreement on climate.

As the Panel recognises, the Multilateral Development Banks (MDBs) are essential and uniquely-qualified players in the international financial architecture, they said.

In the coming months and years, we have only a short window of opportunity to put in place the enhancements to the MDB system which would allow us to maximise our collective impact in supporting the delivery of the 2030 Agenda.

"Let us work together to ensure that the system of MDBs as a whole will deliver to its maximum potential", said President of African Development Bank, ADB President Takehiko Nakao; President of European Bank for Reconstruction and Development, Suma Chakrabarti; and President of Inter-American Bank Group, Luis Alberto Moreno.

In response to today's compelling development and climate imperatives, shareholders should support a substantial increase in financing sustainable infrastructure by the MDBs over the next decade.

A reasonable target is to reach $200bn a year from current levels of about $50bn, taking into account any increased financial capability at the two new banks, they said.

http://www.dawn.com/news/1289354/new-mandate-proposed-to-wb-for-development

MANUFACTURING, AGRICULTURE SECTORS: NEGATIVE GROWTH SERIOUS THREAT TO ECONOMY: PASHA
Business Recorder, 14 October 2016

Former Finance minister Dr Abdul Hafeez Pasaha has warned that negative growth in manufacturer and agriculture sectors in last six months serious threat to economic growth. "These two sectors are the engine of growth, economic and social stability and sustainable development of any country", he pointed out.

Talking to Business Recorder on Thursday, Dr Pasha pointed out that agriculture sector recorded negative growth of two percent during 2015-16 against growth of 2.53 percent last year. Agriculture sector accounts for 19.82 percent of GDP and 42.3 percent of employment with strong backward and forward linkages.

He said the large scale manufacturing sector has gone into negative or nominal growth since April 2016. There are absolutely no indicators that with only 2 to 3 percent increase in electricity production the government would achieve its target of 6 percent growth in this sector in 2016-17. Dr Pasha told this scribe that if the country's foreign current reserves were $23 billion then sale of Sukuk bonds worth $1 billion was unnecessary. The government has already borrowed $12 billion from the IMF during the past three years and it was not a wise policy to further burden the country with $1billion more loan. He further pointed out that foreign currency reserves of $24 billion are hundred percent foreign loans.

http://www.brecorder.com/business-and-economy/189:pakistan/93225:manufacturing-agriculture-sectors-negative-growth-serious-threat-to-economy-pasha/?date=2016-10-14

FAREWELL TO THE IMF?
Dawn, October 15th, 2016

Now that the latest IMF programme has concluded, a few questions must be asked.

First, is this the last Fund programme for Pakistan? In the last 27 years, there have been only six in which Pakistan did not draw any resources from the Fund, making the country a "prolonged user" of IMF resources to use the Fund's own parlance.

Something critical is broken in the economic machinery of the country; it is a defect that has sent the country back to the IMF in a constant and never-ending cycle, and the emergency lender's facilities have been used more like an ATM than the emergency room that they are supposed to be.

The mission chief pointed towards the substantial reserves held by the country, as well as improvements in the power sector such as improved recoveries and greater efficiency as key achievements under the programme. He also mentioned improved revenue generation.

But given the yawning deficits on the external front, and the near-total absence of any structural reform of public-sector enterprises or the tax machinery, which has mobilised the increased revenue largely by squeezing existing taxpayers rather than netting in new ones, it is highly uncertain that the present moment of relative stability will last very far into the future.

This leads us to the second natural question: how deep are the changes that the Fund programme has wrought in the economy?

Granted three years is far too limited a time to change the underlying fundamentals of any economy — its revenue base, structure of exports, patterns of consumption etc — but how much headway has been made in earnest?

Pakistan's competitiveness has not improved appreciably over this period; in fact, exports have shrunk, reliance on remittances has gone up, and while the structure of public finances may have increased in quantum, it has not in quality. The economy has been stabilised, but indebtedness has grown. This is not an end-state to be happy about.

At the end of the day, it is important to realise that the IMF cannot want reform in Pakistan more than the authorities themselves do. If there is a deep and widespread inability and unwillingness to reform the state and its relationship with the institutions and stakeholders of the economy, then that stasis cannot change from external inducement.

Pakistan has historically used the IMF as an ATM machine, drawing resources and walking away, and that pattern has not changed materially. This has been made possible by a stasis in the political economy at home, coupled with a geopolitical imperative from abroad, where the great powers do not wish to unplug the country from global markets for fear of the consequences this could have for Pakistan's stability.

The programme may have ended, but its history and the endless cycles of Fund programmes are likely to be repeated.

http://www.dawn.com/news/1290036/farewell-to-the-imf

NEWS COVERAGE PERIOD FROM OCTOBER 3RD TO OCTOBER 9TH 2016
LITANY OF ECONOMIC WOES LEFT UNADDRESSED
The Express Tribune, October 3rd, 2016.

Ikram Hoti

ISLAMABAD: Over the last year or so, Prime Minister Nawaz Sharif, his federal and provincial political stalwarts have been complaining of 'efforts by certain elements to derail the economic progress that is being claimed by the present government.

Opponents of the government; especially Imran Khan and his team have been arguing that Nawaz government's claims of progress are fake.

They point at the rising prices of goods, commodities and services, poor health and education networks, neglect of public health engineering and the sky-rocketing unemployment.

Neither the government nor its opponents touch upon the real issues in the economy though, and that is the real issue requiring an in-depth analysis. The Mall Road of Lahore has been abuzz with farmers' protests for the past few months while entrepreneurs and investors have been complaining of hardships in maintaining and expanding their businesses.

The farmers, investors and entrepreneurs' worries stay unaddressed and the government appears to be unmindful of the outcome of neglect with which it treats these basic areas of the economy.

Cost of doing business and conducting farming has been on the rise in the face of estate development boom, rise in the unemployment and input costs. The present government failed to chart out a functional industrial policy and agriculture-development strategy.

Over the past couple of years, the government has been eulogizing the prospects of China-Pakistan Economic Corridor (CPEC), with prognostications that it would trigger an industrial boom. However, as Ahsan Iqbal, federal minister for Planning and Development, told this scribe, the CPEC is not expected to produce an infrastructure for such development before 2020.

It would not be before 2025 that investors would be attracted by this infrastructure. From the start of 2017 to 2025 (eight years), the government would need a transitional policy for ensuring maximum possible development in the industrial and agriculture sectors.

Such a policy is nowhere on the horizon.

Not seen doing something meaningful on these two fronts, the government invites the ire of its opponents. Not that the opposition leaders are more capable of addressing these two fronts with a better performance, the reality exists that the failure of Nawaz government to act on emergency footing on these fronts is bound to trigger a process of deterioration.

The government claims that it is securing better revenues than the past but it cannot claim that it has done something productive in promoting exports, agriculture and industrial sectors, in public health engineering, education and reduction in unemployment.

Some analysts would find this situation from the angle of political failure of the Nawaz government, but it is in fact the failure of Pakistan which results in the irreparable weakness of its fundamentals. The top issue in the economy is the depletion of its fundamentals as Pakistan is not producing better farmland and industrial management at the policy levels and the government fails to improve the due facilitation in these spheres.

Such facilitation is vital, as the west and the United States, Japan and China, even India has attained progress on policy facilitation.

Why do recurring governments fail to undertake such facilitation?

This question is most important in the political economy sphere. Talk to politicians and they would say the political governments do not exercise authority since they do not have it and that the elected governments cannot chart out and implement policies of long-term development without authority. Talk to political economists and they would say that neither military, half-military nor the political governments have been oriented on long-term policymaking culture and that is the real issue.

Politicians say they cannot perform without fuller authority to exercise in the fundamental spheres. Political economists say the politicians do not make efforts for clinching the authority required to undertake long-term development.

A large part of the media persistently argues that politicians are corrupt and they would never think of transparency and long-term development, the twin goals that are critical in national transformation.

Pakistan has lately been striving for a national consensus for a successful counterterrorism policy. There has been partial but definite success on this front.

It is high time that the all sides came together to evolve a consensus on long-term development of Pakistan and a policy that ensures it.

Again, there are two views on this issue. One is that such a consensus cannot be achieved without initiating a dialogue. The other is that there is no motivation for initiating such a discourse in the first place.

Tangled in such a situation, Pakistan needs a national debate both in politics and in the media.

I think there are quite a number of political activists and media persons who can come forward to initiate this process. If they fail to initiate it for another couple of years, the situation of Pakistan is bound to deteriorate in the economic and political management spheres even further.

The writer has worked with major newspapers and specialises in the analysis of public finance and geo-economics of terrorism

http://tribune.com.pk/story/1192340/economic-progress-litany-economic-woes-left-unaddressed/

PAKISTAN'S GROWING BURDEN OF MOUNTING DEBT
The Express Tribune, October 3rd, 2016.

Salman Siddiqui

KARACHI: Pakistan's economy is at the crossroads with two important developments taking place: the completion of the International Monetary Fund loan programme worth $6.64 billion last week and the next budget being the last one by the PML-N government.

These developments have left little room for progress in the economy. The country has received the IMF amount over three years and it is yet to start paying off its external debt, which has swelled to $73 billion over a period of long time.

For Pakistan this colossal debt couldn't have come at a worse time as the country is already struggling with shrinking exports and slowdown in remittances. These challenges may not allow the government to keep the current all-time high foreign exchange reserves maintained for long.

What is worse is that the government is making close to no effort to improve the persisting conditions it only makes promises and committees for betterment without any concrete results.

The challenges to the economy from external fronts would not play in isolation. They would impact the economic decision-making at internal fronts as well. For example if the foreign exchange reserves again reach below the efficient levels then they would reduce the country's capacity for imports, as it has happened multiple times in the past.

At its extreme, the low reserves would impact import of raw materials by local industries and thus compromise on gross domestic product (GDP) of the country.

Secondly, experiences suggested that political governments used to give maximum incentives to industries and ordinary citizens in their last budget presentations so as to gain the popular vote. Policy- makers would present these motivations in a bid to convince voters to re-elect them. However, this form of popular decision-making usually proves damaging in the long run.

The current all-time high of foreign exchange reserves has not come easy — it is the result of significant foreign debt. Pakistan's story of debt collection is not over yet and the country is bound to accumulate more as the government is planning to raise another $1 billion through the issuance of a Eurobond.

The government should realise that collecting loans is not the solution; it needs to boost exports in order to keep reserves high.

A three-member group of researchers belonging to the Institute of Business Management (IBM) and Pakistan Institute of Development Economies said in their abstract paper last week, “foreign aid and its volatility have a negative impact on economic growth in Pakistan under currently prevailing macroeconomic policies.”

Another group of researches belonging to Bahria University and Applied Economic Research Centre, University of Karachi, said that external debt keeps impacting export performance in the long run.

The group suggested that the government should improve the regional trade agreement and should avail the opportunity of Generalised Scheme of Preferences (GSP) plus status.

The government should also take necessary steps to reduce energy shortages and export allowances should be given to the Export Processing Zones. “These are the earliest measure that should be taken in order to minimise the negative impact of external debt on export performance in the country,” they said in the joint paper.

Former finance minister Dr. Salman Shah said that the economy was not the focus of the government, despite its claims, and remains fully occupied with political issues like Panama leaks, protests and political rallies.

In this entire backdrop, can finance minister Ishaq Dar explain as to how the country’s economic growth would accelerate to 7% in 2017-18 from?

http://tribune.com.pk/story/1192339/alarming-pakistans-growing-burden-mounting-debt/

GOVT MUST REPRIORITIZE ITS ECONOMIC AGENDA: FCCI CHIEF

Business Recorder, 3 October 2016

FAISALABAD: Textile-centric policies with a focused approach on enhancing exports are imperative for economic revival of Pakistan, said Engineer Muhammad Saeed newly-elected president of the Faisalabad Chamber of Commerce and Industry (FCCI).

Delivering his first speech during Annual General Meeting (AGM) of the FCCI here on Sunday, he discussed prevailing economic scenario and said that although other segments are also contributing their role in the uplift of national economy but the contribution of textile alone is 55 per cent and we could only rely on this segment for the stabilization of national economy.

He also touched upon the widening gap between national imports and exports and said that foreign remittance had played a major role in bridging this gap but in the changed international scenario the foreign remittance are also depleting gradually. He said that the focus of our economic policies must be on enhancing exports.

He urged upon the government to reprioritize its agenda and all policies should be made textile-friendly. He appreciated the efforts of the FCCI to send trade delegations to different potential international markets and said that he would continue this practice in a bid to increase our exports.

Sheikh Muhammad Saeed was also appreciative of the agreements inked during recent visit of the Chief Minister Punjab to China and said that we should attract maximum foreign investment by providing business-friendly climate within the country. He said that it is surprising that Pakistani exports have access to only 50 out of 196 countries.

“It means that the 75 per cent international markets are still unexplored and are waiting for Pakistani exports to fill the vacuum in their country”, he said and urged upon the Pakistani exporters to improve the quality of their products in changing international environment so that we could compete with the developed countries.

He said that government should also realize its duties and take immediate steps to reduce the cost of doing-business in Pakistan. He said that the government and private sectors have better understanding and they should sit together to play their role for the expeditious stabilization of national economy.

“This is imperative as government will have sufficient resources with enhanced economic activity to solve the social problems of the country in addition to providing health and education cover to masses.

Commenting on the energy deficit, he said that situation has improved satisfactorily. The major industrial units are getting uninterrupted gas and electricity but our current issue is availability of cheap electricity and gas. He announced to hold a national energy conference to resolve this issue on permanent basis.

Continuing, Engineer Muhammad Saeed said that the textile exporters of Faisalabad are earning 6 billion dollars per annum and he will arrange export trophy award for the best exporters from the platform of FCCI. He said that Prime Minister Nawaz Sharif will be invited to distribute the awards which will be an encouragement to the local exporters. He also expressed his reservation about zero rating of textile sector and said that still exporters are paying taxes in different shapes.

Engineer Muhammad Saeed also thanked his group leaders for his uncontested election as President FCCI and hoped that his colleagues will also cooperate with him to resolve the problems confronted by the business community of Faisalabad during his tenure.

Earlier, retiring President Chaudhary Muhammad Nawaz explained in detail his year-long performance and said that issues have not yet been fully resolved and new office-bearers have to work day and night to make Pakistan economically stable and strong.

Mian Muhammad Idrees of National Group in his brief address thanked the out-going office-bearers and welcomed the newly-elected office-bearers.

He said that Engineer Muhammad Saeed is a visionary leader. “He fully understand the complications of various economic issues”, said Mian Adreees adding that he also have full resolve to settle the issues amicably and with mutual consultation. However, he said that the FCCI standing committees should be make fully functional in order to improve the overall working of FCCI.

A resolution was moved by veteran trade leader Sheikh Ashfaq Ahmed condemning the atrocities in Indian held Kashmir and expressing full unity with the armed forces of Pakistan. Later, Mian Muhammad Idrees and Mian Javed Iqbal distributed shields.

http://epaper.brecorder.com/2016/10/03/17-page/799465-news.html

INFLATION ROSE TO 3.9PC IN SEPTEMBER
Dawn October 4th, 2016

MUBARAK ZEB KHAN

ISLAMABAD: Pakistan’s annual inflation increased to 3.9 per cent in September from 3.6pc in the preceding month, the Pakistan Bureau of Statistics said on Monday, mainly because of rise in food prices.

The inflation index rose by 0.2pc month-on-month in September as compared to a decrease of 0.3pc in August and 0.1pc in September 2015.

The main inflation is measured by Consumer Price Index (CPI), which tracks prices of nearly 500 commodities every month across the country.

The government has projected the annual inflation target at 6pc for the current fiscal year. Average annual inflation stood at 2.86pc in the previous fiscal year.

The average annual inflation in the first quarter of this fiscal year — July-September 2016 — stood at 3.86pc as against 1.66pc in the same period of the fiscal year 2015-16 and 7.52pc in 2014-15.

The food group, which has a weight of 37pc in the CPI basket, rose 4pc year-on-year last month on the back of increase in prices of perishable and non-perishable food items.

On a month-on-month basis, food inflation increased by 0.1pc in September 2016 due to 1.9pc increase in prices of perishable products.

The food items whose prices increased included onion (12.73pc), egg (5.39pc), fresh vegetables (3.4pc), honey (1.38pc), betel leaves and nuts (1.28pc), gur (1.26pc) and potatoes (1.19pc).

Core inflation, measured by excluding volatile food and energy prices, was recorded at 4.8pc in September, slightly up from the previous month. This inflation has remained subdued since November last year because of a tighter monetary policy and reduction in food and fuel prices.
Government borrowing is one of the key factors influencing the trend of inflation as there is a positive relation between government borrowing and core inflation.
Non-food inflation was recorded at 3.8pc in September. It has stagnated in the last four months as oil prices were kept unchanged.

Among the non-food groups, education and health indices increased by 10.19pc and 6.96pc in September compared to the same month of the last year. The highest increase of 17.5pc was witnessed in the index of alcoholic beverages and tobacco.

The index of clothing and footwear rose by 4.44pc and that of housing, water, electricity, gas and other fuels by 4.31pc.

Meanwhile, Sensitive Price Index edged up by 1.89pc and Wholesale Price Index (WPI) by 3.29pc.

The WPI has entered the positive growth trend from the new fiscal year, which shows a reverse in demand for domestic commodities.

http://www.dawn.com/news/1287820

LENDERS ISSUE MIXED FORECASTS ABOUT PAKISTAN'S ECONOMY
Dawn October 5th, 2016

Anwar Iqbal | Khaleeq Kiani

ISLAMABAD/WASHINGTON: Two separate reports released on Tuesday by the International Monetary Fund and the World Bank say Pakistan's GDP growth rate will gradually accelerate to five per cent by the end of the current financial year, from 4.7 per cent last year. But a closer look paints a mixed picture of what the current financial year will bring.

The IMF sees inflation jumping from 2.9 per cent last year to 5.2 per cent this year, while the Bank sees it at 4.6 percent. The current account deficit is also seen to be widening, to 1.5 per cent of GDP according to the IMF and 1.7

percent according to the World Bank, which attributes the increase to "moderate growth in exports and rapid growth in CPEC related imports." This figure was 0.9 per cent last year.

The Bank sees Pakistan's exports returning to positive territory with a modest growth of 0.7 percent this year after three consecutive years of negative growth.

The IMF forecasts were presented in its annual World Economic Outlook report while the World Bank presented its forecasts in the fall edition of its biannual South Asia Economic Focus series. The Fall edition is titled Investment Reality Check and refers to the region as "a global growth hotspot", saying South Asia has remained resilient to challenges that have weighed on the world economy.

Pakistan's growth forecast, while higher than last years, still lags behind that of its regional peers as well as the government's own target of 5.7 per cent for the current financial year. The Bank forecasts India's growth rate at 7.7 percent by the end of the current fiscal year, and Bangladesh at 6.8 percent.

The Bank said India grew much faster than Pakistan in 2016, but growth in both countries was led by consumption. In Pakistan, investment under the China-Pakistan Economic Corridor is a key driver of next year's growth, while Indian growth was expected to be ignited by accelerated infrastructure spending and a better investment climate that would help increase private investment and exports.

"A reality check reveals that private investment — a key future growth driver across South Asia — is yet to be ignited to sustain and further increase economic growth," said Annette Dixon, World Bank South Asia Region's Vice President.

It said political economy risks were widespread across South Asia, and uncertainty will need to be managed, particularly with a view to creating an attractive environment for domestic and foreign investment alike.
https://www.dawn.com/news/1288099

PAKISTAN'S PROSPECTS OF 5% GROWTH RATE AT RISK, SAYS WORLD BANK REPORT
The Express Tribune, October 5th, 2016.

ISLAMABAD: Prospects of Pakistan's economy growing at a decent pace of 5% a year are at risk due to delays in the implementation of the $46-billion China-Pakistan Economic Corridor (CPEC) projects, warns a new World Bank report released Tuesday.

"A delay in the completion of CPEC projects, as evident from the first year's performance, and an inability of the government to mobilise revenues and rationalise expenditures can affect investment and hurt economic growth," noted the World Bank in its biannual 'South Asia Economic Focus Fall 2016' report.

The report also highlighted the issue of growing tension in relation to Kashmir between India and Pakistan; two nuclear powers that have fought four wars and which it added "is watched with concern".

Political economy risks are widespread across South Asia and uncertainty, more broadly, needs to be managed with a view to creating an attractive environment for foreign and domestic investment alike, it added.

The Washington-based lending agency said that gradual growth trend is underpinned by increased public investment supported by CPEC. It has projected that Pakistan's economy may grow at a rate of 5% during the current fiscal year 2016-17 – 0.7% below the official target.

Pakistan needs more than 7% annual economic growth rate to create sufficient jobs for new entrants.

Public investment can expect a boost from projects related to the CPEC agreement, but remains subject to uncertainty stemming from potential implementation delays, it added.

The report is a reminder to the October 2015 study conducted by the Institute of Policy Reforms (IPR) that highlighted that the medium-term economic framework prepared by the International Monetary Fund (IMF) made no provision for a big rise in government investment in the next two years to create room for timely completion of the $11-billion infrastructure projects under CPEC.
The IPR study did not work out the impact of administrative weaknesses that are equally hurting the implementation of CPEC projects.

"China has also started raising concerns over delay in the implementation of CPEC projects, notably energy sector transmission and generation projects," said officials involved in execution of these projects.

"Except for two coal-based and one wind-farm projects, most of the priority energy projects of the CPEC are facing delays," according to background discussions with the Ministry of Planning, Development and Reform officials and others working on these schemes.

"Chief ministers showed their confidence on the progress of CPEC projects in the CPEC summit held on August 29 but some elements and anti-CPEC forces are spreading misgivings and misguiding people of Khyber-Pakhtunkhwa (K-P)," said Minister of Planning, Development and Reform Ahsan Iqbal on Tuesday, while chairing a meeting of the Cabinet Committee on Infrastructure.

The World Bank report said industrial production indicators remained volatile except in case of Pakistan where the outlook had been slightly more positive on the back of large-scale manufacturing and construction activities, driven by infrastructure and energy projects falling under the CPEC agreement.

"However, recent delays may water down expectations," it added.

In Pakistan, private investment has traditionally grown more slowly than public investment, however, the sluggishness of private fixed capital investment is reaching new levels.

Pakistan's economic growth is expected to increase gradually, and the economy is projected to grow by 5.4% in next fiscal year 2017-2018.

The report added that this growth rate will primarily be driven by infrastructure projects under the CPEC and public investment.

These projects are expected to accelerate growth in the domestic construction industry and increase electricity generation. Improved electricity availability will support growth in the industry and services sectors, but expected slowdown in the implementation would water down these expectations, it said.

Moreover, it said Pakistan's current account deficit was expected to widen during next two financial years; the key contributor to this will be a widening trade deficit due to moderate growth in exports and rapid growth in CPEC-related imports. However, continuous growth in remittances and financial flows will help in financing the current account deficit.

The report also projects Pakistan's fiscal deficit to remain at 4.2% at the end of the fiscal year – 0.4% higher than the Ministry of Finance target.

"The improvement in fiscal accounts hinges upon the government's will to persist with fiscal consolidation through revenue mobilisation efforts and expenditure rationalisation," it cautioned.

http://tribune.com.pk/story/1193572/south-asia-economic-focus-fall-2016-prospects-5-growth-rate-risk-says-world-bank-report/

SPECIAL ECONOMIC ZONES APPROVED
Dawn, October 7th, 2016

PESHAWAR: The Khyber Pakhtunkhwa Special Economic Zone Authority (KP-SEZA) has approved two new special economic zones in the province.

A meeting to this effect was held at the Chief Minister's Secretariat which was chaired by KP-SEZA chairman Ghulam Dastagir to review applications for setting up two special economic zones in Dera Ismail Khan.

The committee approved both applications and recommended that these be taken up at the federal level, according to a statement issued here on Thursday.
The meeting was attended by provincial secretary industries Farah Hamid, CM's special assistant Abdul Karim Khan, Khyber Pakhtunkhwa Economic Zones Development and Management Company CEO Mohsin Syed and others.

Mr Dasatagir said that a range of special incentives for industries in the area would result in rapid industrialisation leading to job creation, increased commercial activity and skill enhancement for the inhabitants of the province.

He said that the business and job creation opportunities would not only be limited to the main areas, but would also be extended to the previously neglected areas of southern areas.

https://www.dawn.com/news/1288583/special-economic-zones-approved

SPECIAL ECONOMIC ZONES: SENATE PASSES SEZ AMENDMENT BILL 2016
The Express Tribune, October 8th, 2016.

ISLAMABAD: The Senate on Friday passed the Special Economic Zones (SEZ) Amendment Bill 2016, aimed at making the SEZ regime more business-friendly and to encourage development of SEZs in Pakistan.

The State Minister for Parliamentary Affairs Sheikh Aftab Ahmed moved the bill to further amend the Special Economic Zones Act 2012 in the House. The statement of objects and reasons says the Act was promulgated to encourage industrial infrastructure in the country. This was to be achieved by facilitating domestic and foreign investment in the manufacturing sectors of Pakistan, offering them special exemptions, leading to reduced cost of doing business with efficient infrastructure.

The Act provides for duty free import of plant, machinery and equipment and income tax holidays of 10 years for zone developers as well as zone enterprises. After its promulgation, provincial governments, chambers of commerce and potential investors raised voice about major lacuna in the law whereby SEZs have been declared outside the customs area of Pakistan.
This renders the custom duty exemptions meaningless at the time of imports since the finished products manufactured in SEZs would be liable for payment of heavy customs duty for sale in domestic markets.

However, after the amendments, these companies would be able to sell their products in domestic markets without payment of customs and other duties which would attract more foreign investors to establish their industries in SEZs.

The investor friendly law would encourage rapid industrialisation in the country leading to create jobs, transfer technology and develop industrial infrastructure.

http://tribune.com.pk/story/1195293/special-economic-zones-senate-passes-sez-amendment-bill-2016/

IMF MUST BE MORE 'VOCAL' ON GLOBAL ECONOMY: US
Dawn, October 9th, 2016

WASHINGTON: The United States called on Saturday for the International Monetary Fund to speak out on crucial global economic matters, such as exchange rates, even if this made it unpopular.

“The IMF must intensify analysis of and become more vocal on key issues that impact growth and stability of the global economic system,” US Treasury Secretary Jacob Lew said in a statement, citing currency exchange rates, current account imbalances and demand shortfalls.

“Sometimes this will make the IMF unpopular,” he added. “But vocal advocacy in the name of its core mandate is likely to make the IMF a more effective institution over the long term.” The remarks came as a week of annual meetings between IMF and the World Bank wound down in Washington.

The United States, which is the IMF’s largest shareholder, said it expected the global crisis lender to do more to prod countries like Germany to spend more of their budget surpluses to spur global growth.

“I urge the IMF to be more vocal in pressing countries with excess capacity to pursue fiscal measures that smooth the transition away from excess production while maintaining demand,” said Lew.

IMF Managing Director Christine Lagarde seemed to have heard the message this week and openly called on Germany to spend more. But Berlin appeared unmoved.

The United States also called on the World Bank, where it is also the largest shareholder, to “better manage” the strain that member states’ growing demands were putting on the development lender’s resources.

“We recognize that global economic headwinds are contributing to strong country demand, straining the World Bank’s available capital,” Lew said in a separate statement.

The World Bank could meet such challenges through “selectivity and greater discipline” to maintain more viable lending levels, Lew said.

On Thursday, World Bank President Jim Yong Kim acknowledged that his institution’s resources had been put to the test by the new missions entrusted to it, particular concerning climate change and the refugee crisis.

“It’s hard to see how we’re going to meet all those demands without a capital increase,” he said.

http://www.dawn.com/news/1288911/imf-must-be-more-vocal-on-global-economy-us

November 2016

NEWS COVERAGE PERIOD FROM NOVEMBER 28 TH TO DECEMBER 4TH 2016

INNOVATION WORKSHOP: ENTREPRENEURSHIP KEY TO UNLOCKING ECONOMIC ACTIVITY

The Express Tribune, November 29th, 2016.

FAISALABAD: Innovation and entrepreneurship are a prerequisite to generating much-needed economic activity in the country and in this connection linkages between the industry and academia will be further strengthened, said Faisalabad Chamber of Commerce and Industry (FCCI) F.

He was addressing the inaugural session of a workshop on innovation and entrepreneurship jointly organised by the University of Agriculture Faisalabad (UAF) and the Institute of Engineers Pakistan (IEP) on Monday.

He said Pakistan was a country of more than 190 million people, making it the sixth largest country in the world by population. Out of this, more than 30% people fall within the prime productive age of 18 to 30 years.

With a rapidly increasing young population and already high unemployment rates, it was becoming increasingly difficult for the government as well as policymakers to provide jobs for the youth in the prevailing circumstances, he added.

In that situation, Hasan said, innovation and entrepreneurship was the only available solution through which Pakistan could convert its youth into a productive and valuable economic asset.

Underlining the prevailing trends, he said most of the educational institutes were producing a lot of degree-holders and job-seekers, who had become a burden on the already squeezed resources.

He said entrepreneurship meant ownership and self-determination which was opposed to becoming dependent on somebody else for livelihood. The educational institutions must concentrate on producing entrepreneurs who could start their own businesses in addition to offering jobs to others, he added.

Appreciating the efforts of University of Agriculture in this regard, he said that the university has been actively encouraging entrepreneurship among its students. FCCI was also promoting industry-academia linkages in order to harness the entrepreneurial skills of the youth at all levels, he added.

He also lauded the efforts of the DICE (Distinguished Innovations, Collaboration and Entrepreneurship) foundation and said that he had attended a function arranged by this foundation just a few weeks ago and was impressed by the initiative taken by it and innovative ideas displayed by the participants of this event.

He further said that new entrepreneurs should focus on demand-driven products and business models as without innovation we cannot survive in this competitive world. He said that if new innovations and ideas are driven by the objective of filling major market gaps, then it will become much easier to commercialise these ideas.

http://tribune.com.pk/story/1247366/innovation-workshop-entrepreneurship-key-unlocking-economic-activity/

RAISE IN GST: FEDERAL GOVT DEPRIVES PROVINCES OF MASSIVE REVENUE

Business Recorder, December 3rd , 2016.

Mushtaq Ghumman

ISLAMABAD: The federal government has reportedly deprived the provinces of billions of rupee revenue by increasing General Sales Tax (GST) on industrial sector gas by 96 per cent, instead of increasing Excise Duty which is exclusively the right of the provinces.

The Economic Coordination Committee (ECC) of the Cabinet in its meeting held on November 25, 2016 approved a reduction in gas sale prices for the industry by Rs 200 per MMTBU to Rs400 per MMBTU from Rs 600 per MMTBU.

However, the ECC also decided to increase the amount of GST from Rs 102 per MMTBU to Rs 200 per MMTBU which constitutes an over 96 percent increase. With decrease in sale price, the total price has been reduced by only Rs 102 per MMBTU to Rs 600 per MMBTU from Rs 702 per MMTBU.

Analysts are of the view that government made a clever move to increase GST so that the collection of GST should remain with the federal kitty, adding in case of increase in Excise Duty, the revenue would have been the exclusive right of the provinces.

Both gas utility companies, viz Sui Northern Gas Pipeline Limited (SNGPL) and Sui Southern Gas Company Limited (SSGCL), are engaged in gas purchase from Exploration and Production (E&P) companies and transmission, distribution and sale to various categories of consumers. They are operating on cost plus return on assets formula under licences from Oil and Gas Regulatory Authority (OGRA).

The Section 8(1) of the Ogra Ordinance 2002 empowers OGRA to determine the estimated revenue requirements of its licences.

The sources said the OGRA has determined the estimated net revenue requirements for SNGPL for financial year 2016-17 and they were Rs213 .806 billion of which cost of gas was Rs128.623 billion, impact of Sui field, Rs6 billion, UFG disallowance, Rs7.044 billion, T&D cost, Rs21.892 billion, depreciation, Rs17.238 billion, WPPF, Rs1.138 billion, RoA, Rs19.063 billion, and surplus/shortfall of prior year Rs51.243 billion.

This shows that total revenue requirement of the company was Rs238.162 billion but with other less income of Rs24.356 billion, net revenue requirement was Rs213.806 billion. However, as the revenue at current sale price was Rs177.049 billion, the gas utility was facing a shortfall of Rs36.757 billion.

The net revenue requirement of SSGCL was Rs150.767 billion in 2016-17, of which the cost of gas was Rs133.285 billion, impact of Sui field Rs6 billion, UFG disallowance was Rs13.826 billion, T&D cost, Rs14.515 billion, depreciation, Rs5.708 billion, WPPF, Rs432 million, RoA, Rs9.718 billion, LPG air mix, Rs359 million, surplus/shortfall for prior year, Rs6.5 billion, which shows that total revenue requirement was 162.691 billion.

With less income of Rs11.924 billion, the total net revenue requirements was Rs150.767 billion which shows that revenue at current sale price would be Rs199.764 billion. The new deficit/ surplus of SSGCL would be Rs48.997 billion. The sources said Rs25 billion shortfall was based on the proposal to revise Sui field wellhead gas price.

The shortfall of prior year in SNGPL is reflecting the estimated impact of not increasing the gas sale prices due to various reasons including litigation in Lahore High Court, some delays in revenue determinations by OGRA due to non-completion of quorum and other socio-economic considerations. Even without any increase in gas sale prices, the revenue shortfall of Rs51 billion is expected to decrease to Rs37 billion by the end of current fiscal year.
The reduction in oil prices in international market is resulting in recoupment of revenue shortfall of prior years and if the oil prices remain stable at present level, the revenue loss would be further recovered in coming year(s). According to prevalent gas price, the price of gas was Rs110 per MMBTU for domestic consumers using 100m3 and Rs220 per MMTBU using 300m3 whereas tariff for consumers who use above 300m3 was Rs600 per MMTBU.

The price of fertilizer-feed (old) was Rs123 per MMTBU, besides Rs300 GIDC, totalling it to Rs423 per MMTBU whereas rate of fertilizer-feed (new) was Rs73 per MMBTU, plus Rs300 GIDC, totalling it to Rs373 per MMBTU. The price of fertilizer fuel was Rs600 per MMTBU and with Rs150 GIDC, total price is Rs750 per MMBTU.

The price of gas for power sector was Rs613 per MMTBU and with Rs100 GIDC, total price was Rs713 per MMBTU, general industry's tariff was Rs700 per MMBTU, Rs100 GIDC (total Rs700 per MMBTU), captive power plants Rs600 per MMBTU plus Rs200 GIDC (total 800 per MMBTU), cement, Rs 750 per MMTBU, CNG Rs700 per MMBTU plus Rs263 GIDC (total Rs963 per MMBTU) and commercial Rs700 per MMBTU.

The petroleum ministry was of the view that in the current situation of reduced oil price, there was a strong justification for providing some relief to the industrial sector which was becoming non-competitive in international market resulting in loss of exports earning.

Accordingly, the Petroleum Ministry worked out a proposal on following lines;(i) gas sale price for industrial sector and captive power may be decreased from Rs600 per MMBTU to Rs400 per MMBTU; (ii) in accordance with the fertilizer policy 2001, the industrial sector gas sale price would be applicable to fertilizer sector (fuel stock); (iii) and present GST at 17 per cent is Rs102 MMBTU may be increased to Rs200 per MMBTU.

The Punjab-based textile industrialists met Chief Minister Punjab Mian Shahbaz Sharif and conveyed their concerns on current decrease in gas tariff for the industry, saying that Punjab-based industry was using RLNG which was costlier than domestically produced natural gas.

“We have conveyed our concerns to Mian Shahbaz Sharif. We want a level playing field for the industry across the country so that Punjab-based industry should also compete with textile industry in gas surplus provinces,” said one of the representatives of textile sector on condition of anonymity. He further stated that the export-oriented industry is waiting for the much talked-about package. The sources said that Prime Minister Nawaz Sharif is expected to preside over a meeting on energy in Lahore on Saturday (today).

http://epaper.brecorder.com/2016/12/03/1-page/825017-news.htm

NEWS COVERAGE PERIOD FROM NOVEMBER 21ST TO NOVEMBER 27TH 2016
‘PAKISTAN’S ECONOMY WILL COLLAPSE IN THE NEXT 10 YEARS’
The Express Tribune, November 23rd, 2016

KARACHI: Education is linked with economic prosperity but the education sector in Sindh is underperforming despite the fact that Rs700 million of the province’s annual development budget has been allocated to the education sector, said Education Minister Jam Mehtab Hussain Dahar.

“Pakistan’s economy is going to collapse like that of Greece’s in the next 10 years,” he warned. Dahar was addressing the inauguration ceremony of a conference, titled ‘International Conference on Transforming Economic Development: Policies and Strategies’, organised by the Applied Economics Research Centre (AERC) at the ICCBS, Karachi University on Tuesday. “Pakistan has been divided into haves and have-nots classes,” he said.

Like other flourishing countries, Pakistan has to manage according to its own environment to achieve the international Sustainable Development Goals, he said.

Pakistan is facing enormous challenges such as illiteracy, poverty, inequalities, corruption, energy and governance issues that have had a direct negative impact on the economic development and growth of the country, he pointed out.

“Pakistan is heading towards a social and economic hurricane that will cause great damage,” said AERC director Prof Dr Samina Khalil, adding that the economic hurricane will sweep away much of the current economy and Pakistan’s assumptions about the future.

The three-day conference aims to devise development policies and strategies for the transformation of the economy of Pakistan, explained Dr Khalil. It is providing a forum for discussion among renowned national and international academics, researchers, practitioners, policy makers and students, she said.

Seconding the education minister, economist Dr Kaiser Bengali said that Pakistan has been divided into two classes, the haves and have-nots. “The country’s exports are being reduced as compared to imports, which have increased,” he said, pointing out that the deficit created from this difference between exports and imports is mounting up debts.

Tension with India is extremely harmful for us, said Pakistan Institute of Development Economics vice-chancellor Dr Asad Zaman. “Pakistan needs to rethink and reconfigure trading patterns; self-sufficiency is the need of the hour,” said Zaman.

A total of 32 research papers will be presented in the conference.

http://tribune.com.pk/story/1239850/finding-way-pakistans-economy-will-collapse-next-10-years/

NEWS COVERAGE PERIOD FROM NOVEMBER 14TH TO NOVEMBER 20TH 2016
FOCUSED APPROACH NEEDED TO IMPROVE FOREIGN INVESTMENT
Dawn, November 18th, 2016

KARACHI: The Overseas Investors Chambers of Commerce and Industry (OICCI) on Thursday expressed concern at the sharp decline in foreign direct investment (FDI) during the first four months of the current fiscal.

The chamber representing nearly 200 largest foreign investors has recommended a strong and focused approach by the concerned authorities to rejuvenate FDI into the country.

“One fails to understand that in spite of notable improvement in the economic parameters and security environment, especially in Karachi and good progress in narrowing the energy supply gap, why has the country not been able to win the confidence of the potential foreign investors who continue to invest heavily in the region,” OICCI President Shahab Rizvi said.

The government needs to immediately engage with the key stakeholders, both at home and overseas, to revise it policies and action plans to recapture the proportionate share of FDI lost to regional countries, he suggested.

According to OICCI’s assessment, key impediments to FDI inflows include, Pakistan inconsistent track record on ensuring consistency, predictability and transparency in the overall investment and business related policy framework, poor ranking in World Bank ‘Ease of Doing Business’ indices, inconsistent taxation policies and uneven implementation of regulations.

The OICCI chief recommended that to reverse the negative trends in FDI, the government has to improve governance and accountability together with close interaction with respectable business representatives, like OICCI, supported by a structured public private partnership for timely corrective measures to ensure that FDI inflow is at an acceptable level of at least 2-3 per cent of the GDP.

Enhanced level of FDI was necessary to rapidly expand exports, provide employment and collect more revenue for the national kitty.

One of the tools the government could strongly use to solicit new foreign investors by highlighting the positive experience of existing foreign investors, Mr Rizvi added.

http://www.dawn.com/news/1296954/focused-approach-needed-to-improve-foreign-investment

RS180M BUDGET PASSED FOR DERA MURAD JAMALI MC
Dawn November 20th, 2016

DERA MURAD JAMALI: The Municipal Committee of Dera Murad Jamali passed with a majority vote on Saturday an annual budget of Rs180.39 million for 2016-17. An amount of Rs40.57m was earmarked in the budget for the development of the district headquarters.

Municipal Committee convener Mir Rana Khan Mughari presented the budget during a session presided over by Chairman Ghulam Nabi Umrani.

Mr Mughari told the house that the budget had been presented even though the local bodies were not given powers despite strong protest against the government. The municipal committee expects to collect Rs80.24m as general sales tax.

"Despite having less resources we have allocated Rs40.57m for the development of Dera Murad Jamali city to provide maximum facilities to people," he said. He explained that the increase in non-development expenditure had been caused by creation of new jobs. Around Rs10.50m had been estimated in this regard, he added.

An estimated amount of Rs20.84m will be used to pay salaries of employees and those working on daily wages, he said, adding that a four-member committee had been constituted for distribution of development schemes.

Mr Mughari assured the opposition that their apprehensions would be removed by providing them an equal share for the development of the district headquarters.

Muhammad Waris Abro and Muhammad Ibrahim Abro from the opposition side expressed reservations over budgetary allocations. They said that uplift schemes proposed by opposition members had been ignored.

http://www.dawn.com/news/1297476/rs180m-budget-passed-for-dera-murad-jamali-mc

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http://www.dawn.com/news/1297476/rs180m-budget-passed-for-dera-murad-jamali-mc

NEWS COVERAGE PERIOD FROM NOVEMBER 7TH TO NOVEMBER 13TH 2016
'PAKISTAN'S ECONOMY AT A JUNCTURE OF TURNAROUND'
The Express Tribune, November 7th, 2016

KARACHI: Despite being one of the most thriving sectors of Pakistan's economy – fast moving consumer goods (FMCG) – it remains unexplored with immense opportunities on offer.

Unilever Chief Executive Officer Shazia Syed, one of Pakistan's most recognised personalities in the corporate world, has said that the country's per-capita consumption in most FMCG categories is still a fraction of what is seen in other developing countries with similar demographics.

During an interview with The Express Tribune, Syed stated that Pakistan can be termed as a very 'volatile, uncertain, complex and ambiguous market'.

Despite its reputation as a market with unexplored potential, and a population that is young and talented, Pakistan remains off-radar for many investors. International brands may have been present for some time, but they acknowledge the challenges that come along the way in a country torn by corruption, security issues, a complex tax system and an energy crisis.

"A key predicament for Unilever is that some of our own products are brought into the country through grey channels with little or no duties and taxes paid," said Syed. "In addition, widespread and unchecked counterfeiting also leads to loss of business and consumer credibility."

Voicing concern over high tax rates, Syed admitted it increases the cost of production, making the current business model unattractive.

Nevertheless, Syed expressed optimism regarding the country's future especially mentioning government's efforts to curb security threats and address energy concerns.

"Pakistan's economy is at a juncture of a turnaround, if not catapulting; economic indicators are positive, the China Pakistan Economic Corridor (CPEC) is a huge impetus, the middle class is growing, there is more political stability and consumer trends are positively evolving."

According to Syed, there is a huge potential of FMCGs in Pakistan and will remain so in the years to come, largely because of a shift in trends. "There is an expanding mall culture, thriving fashion and beauty segment, exponential growth in packaged food and an ecommerce channel just waiting to explode."

Asked if there is a chance of more multinationals entering the market, Syed said there are recognisable opportunities for both local and multinational investors. "We are already seeing new global players trying to get a foothold in the country."

Dismissing any competitive threats in the market, Unilever's CEO said "competition is healthy and Pakistan is at that juncture in market development where the more the merrier."

She added that we need competition to invest in market development and grow the size of the pie. "However, the influx of smuggled products is indeed an increasing threat for us.

"The FMCG opportunity in Pakistan is huge and the company will continue to invest aggressively in talent, capacity and market development in order to drive sustainable growth.

"Pakistan has the capability and a strategic geographic positioning to be a major exporting hub for multinational national companies."

While explaining the company's recruitment structure, Syed insisted that the firm's human resource department focuses on developing a well-rounded programme that provides new entrants with experiences that build their understanding of the lengths and breadths of the business.

“Our efforts are aimed at grooming a new generation of leaders and helping them embrace all challenges.”

Being one of the top employers in the country, Syed said that one of the major problems of human capital is that it has limited exposure beyond the academic worlds. “Capability building coupled with mentoring is essential to help unlock the talent of Pakistan’s largely young workforce.”

“We are looking for people who have a pulse on the needs of millennial and identify with their evolving trends.”

As one of the few women in a leadership position, Syed shared some of her personal views regarding female inclusion in Pakistan.

Clearly stating that corporate Pakistan is evolving, Syed added that times have changed and it is easier for women to take up leadership roles in Pakistan.

“Organisations need to create an inclusive environment that enables women to contribute both in their professional and personal lives.”

Additionally, Syed advised young aspiring female workers to be confident and aware of what value they can offer to an organisation.

“We must be unapologetic about the multiple roles that we play both at work and at home. I always encourage women to give ample thought to choosing an organisation that respects diversity in the workplace and offers the right infrastructure to both men and women.”

http://tribune.com.pk/story/1222538/discussing-changing-dynamics-pakistans-economy-juncture-turnaround/

WORLD BANK PROJECTS 5.4 PER CENT GROWTH RATE FOR PAKISTAN IN 2018
Dawn, 11 November , 2016

Pakistan’s economy is set to grow by a robust 5.4 per cent by 2018 as Chinese investment from a multi-billion dollar infrastructure project flows into the country, the World Bank predicted in a new report Thursday.

Pakistan, South Asia’s second-biggest economy, is growing with security improving and the International Monetary Fund (IMF) claiming in October that it has emerged from economic crisis after completing a bailout programme, though it still faces major challenges.

Pakistan recorded a 4.7pc growth in gross domestic product (GDP) for the fiscal year ended June 2016, the highest rate in eight years, and Prime Minister Nawaz Sharif has set an ambitious target of 5.7pc for the current year.

Nawaz is banking on structural reforms, the improved energy sector, taxation — and China’s ambitious $46 billion infrastructure project, the China-Pakistan Economic Corridor (CPEC), linking its western province of Xinjiang to the Arabian Sea via Pakistan.

The World Bank report appeared optimistic about Nawaz’s plans, predicting even further growth in 2018.

“The pace of Pakistan’s economic growth will accelerate to 5.4pc in fiscal 2018,” the Bank report said, observing that a moderate increase in investment mainly related to CPEC projects is expected to contribute to an acceleration of growth.

The bank also noted Pakistan’s efforts to address grinding poverty, including with revised ways to measure it.

“Based on the revised poverty line, the percentage of people living below the poverty line decreased from 64.3pc in 2002 to 29.5pc in 2014,” the report said.

Illango Patchamutu, World Bank country director for Pakistan, said the country needs to push forward with deeper structural reforms, and that the World Bank stood ready to support such an agenda.

http://www.dawn.com/news/1295477

DIMINISHING WINDOW OF OPPORTUNITY
The Express Tribune, November 11th, 2016.

Acouple of weeks ago, Christine Lagarde, the Managing Director of IMF wrote an op-ed in The News titled ‘Pakistan’s moment of opportunity’. Her message in this op-ed was a mixed one. On the one hand, she praised Pakistan’s completion of the three-year IMF economic programme, which is supposed to help us join the ranks of emerging market economies.

Yet, she also pointed out that a long road lies ahead in terms of achieving reasonable growth, and in making our growth more inclusive. However, the IMF’s own record in helping make growth more inclusive across most of the developing world is not very encouraging.

One thing that the IMF Director did get right is that Pakistan will have to lean on the strength of its own policies to achieve sustainable growth. But how to do that remains a contentious topic. Besides public investment in infrastructure to help remove obstacles to economic activity, such as the China-Pakistan Economic Corridor, the IMF thinks that it is the private investment which has the potential to deliver higher growth in Pakistan.

Pakistan’s private sector is estimated to represent under 10 per cent of the economy, which is below the average for other emerging markets. Besides using the private sector to encourage growth, the IMF thinks that the private sector can improve delivery of essential social services such as water and sanitation, health and education, for which there is not much evidence.

Yet, allowing the private sector to take over public responsibilities is how the IMF wants to free up resources to invest in social safety nets, meant to protect the most vulnerable segments of society, when they are adversely impacted by privatisation. But the prevalent inefficiency, graft and corruption which continue to afflict social safety nets is not very reassuring either.

On the other hand, the IMF chief has pointed out that Pakistan’s exports account for a mere 10 per cent of the GDP compared to 40 per cent for emerging economies. The IMF thinks there is a vast untapped potential for Pakistan to trade with its neighbours, and to better integrate into global value chains.

Although regional trade would be a good idea, the lingering hostilities with India and Afghanistan remain major impediments, which the IMF cannot do much about. The IMF also does not say much about the hierarchical nature of supply chains, which create highly exploitative conditions for workers in the developing world.

One cannot deny that Pakistan does need to significantly raise its own revenue through taxation to support its growth and development. Our current tax collection is slightly more than half of what is needed to sustain growth.

While there is no doubt that we need to collect more taxes, the IMF is fine with widening an already regressive tax base, where 80 per cent of tax revenues are being derived from indirect taxes which do not differentiate between the rich and the poor.

According to the Social Policy Development Centre, the richest 10 per cent of our population is paying 10 per cent of their income in indirect taxes, while the poorest 10 percent is paying 16 per cent. Instead of applying more indiscriminate indirect taxes, we need to progressive taxation which raises the tax rate of those who are wealthy.

For Pakistan, focusing on growth and privatisation has not proven sufficient. Many prior attempts to pursue high growth as a vehicle for poverty alleviation have failed, ranging from the Ayub to the Musharraf eras. No serious attempts have yet been made to address the glaring inequality across the country.

The IMF's prescriptions of economic growth also continue to further consolidate wealth in the hands of a few, and are in turn partly responsible for the lingering disparities, and resulting societal friction, within countries like our own. The IMF pays lip service to the notion of need inclusive growth, but such growth cannot be ensured using the market mechanism alone.

With 65 per cent population under the age of 25, development experts are thus right to warn that Pakistan's demographic dividend is turning into a demographic disaster due to our dismally low human development indicators.

http://tribune.com.pk/story/1226998/diminishing-window-opportunity/

RUTHLESS BORROWING: RISING DEBT BECOMING UNSUSTAINABLE: ECONOMISTS
Tahir Amin

Business Recorder, November 13, 2016

Pakistan's rising debt is becoming unsustainable due to massive borrowing by the government to build foreign exchange reserves, opined former Advisors of Finance Ministry Dr Ashfaque Hassan Khan and Sakib Sherani here on Saturday. Speaking at the 3rd National Debt Conference organised by Policy Research Institute of Market Economy (PRIME), Dr Ashfaque stated that Pakistan's external debt has reached $73 billion and is expected to increase to $81.3 billion by the end of 2016-17, $90 billion by 2017-18, $98 billion by 2018-19 and $110 by 2019-20.

He added that the country's financing requirements are estimated to increase to $18 billion by 2017-18 from $15 billion projected for the current fiscal year and estimated at $22.5 billion by 2019-20. Pakistan's debt situation is deteriorating rapidly and posing a serious threat to the country's solvency going forward. Financing gap is expected to jump to $9 billion in 2018-19 and further to $11 billion in 2019-20 which is absolutely unsustainable.

The country's separation from the International Monetary Fund (IMF) is temporary and they may reunite in 2018-19 again. He said that share of domestic debt in public debt remained at 68.2 percent but the domestic debt is expensive as compared to external debt. This is a serious development and a matter of national security issue.

During the last three months, the government borrowed $3 billion while in three weeks $400 million were borrowed to build reserves, said Khan, adding that foreign exchange reserves are being built mostly through expensive borrowing. He further said that Pakistan added $32.7 billion in external debt during the last eight years. Added with $17 billion in the 1990s, we added $50 billion out of total external debt of $73 billion in two periods (1990s and 2008-16) or two-third of Pakistan's external debt is added in the 1990s and 2008-16, he said.

He said that current account deficit is not high because the economic activity slowed down as demand is lower and oil prices declined. He further said that one-third exports are going to retire past borrowing. Current pace of borrowing will continue while exports are continually declining but the government is not caring about. Khan recommended that the Prime Minister should form a high-level Balance of Payment Committee to examine the developments taking place and suggest ways to come out of the crisis.

"We need to develop a more effective borrowing strategy consistent with the country's development priorities," said Khan, adding that an appropriate borrowing strategy consistent with macroeconomic framework must include; currency mix, terms and conditions, parameters of borrowings, current account deficit, amortisation payments, reserves target and medium-term development.

Sakib Sherani said that Pakistan's export performance is deteriorating, and dubbed the Ministry of Finance as an ostrich with its head in the ground. Pakistan's external debt stock has risen significantly in recent past. Exports have fallen, said Sherani, adding that outlook for remittances is highly uncertain.

Asad Umer, leader of Pakistan Tehreek-e-Insaf (PTI) said that Pakistan is being caught in debt trap. There is a debt limitation act but it does not stop the government from crossing the debt limit. He blamed the government for not focusing on economic fundamentals, and also blamed Parliament for not playing its constitutional role. The country is slipping into a deteriorating territory of unsustainable debt, said Umer, adding that tax system has become redundant as tax payers are made fool while tax thieves are rewarded.

He termed the tax amnesty schemes as a total failure because, according to him, they reward tax evasion, while those who pay taxes end up suffering the most. He further said that market share of tax evaders is increasing while that of actual tax payers it is decreasing. He recommended creating autonomous tax collection body.

Former Governor State Bank of Pakistan, Shahid Kardar chaired the session on the sustainability of the public debt. He also expressed concerns over the rising debt. DG Central Directorate of National Savings, Zafar Masud stated that Pakistan's debt problem was not as alarming as being portrayed, and claimed that the national debt was well under control, at least for the next 4 to 5 years.

He said that public debt to GDP – Pakistan is doing better as globally it increased by over 13 percent while in Pakistan it is increased by 3 percent. Masud said that Pakistan is doing better with GDP growth as compared to emerging and developing economy. Pakistan's risk premium declined as economy expands. He further said that CPEC is estimated to increase growth rate by 2 to 2.25 percent. The CPEC is estimated to create 2.5 million jobs from 2015 and 2030, he added.

http://www.brecorder.com/market-data/stocks-a-bonds/0/102521/

NEWS COVERAGE PERIOD FROM OCTOBER 31ST TO NOVEMBER 6TH 2016
GOVT PLANS TO BORROW RS1.6TR IN NOV-JAN
Dawn, November 3rd, 2016

Shahid Iqbal

Karachi: The Government Plans To Borrow Rs1.6 Trillion By Auctioning Securities In The Next Three Months (November To January), The State Bank Of Pakistan Said On Wednesday.

Such a large borrowing reflects growing need for liquidity and increasing fiscal gap.

And as the government's borrowing pattern has changed over the previous year and it now relies heavily on short-term papers, most of the amount during the three-month period will be raised through market treasury bills (T-bills). Borrowing through long-term Pakistan Investment Bonds (PIBs) will be restricted to Rs150 billion.

PIBs have lost attraction due to falling returns; moreover, the government has curtailed borrowing through long-term bonds. In the previous auction of PIBs held on Oct 19, all the bids (worth Rs75bn) were rejected.

The coupon rates were 7.0 per cent, 7.75pc, 8.75pc and 10.75pc for three-, five-, 10- and 20-year tenors, but bankers wanted higher returns.

Furthermore, as the government is already heavily pressed with mountains of domestic debts, short-term borrowing at low interest rate is beneficial for it. The maturity of T-bills during the period is about Rs1.351tr, which shows the government would raise an additional Rs98.4bn for this period. The maturity in case of PIBs is about Rs118.9bn.

Banks have invested heavily in T-bills and their holdings of government papers have crossed a record Rs8tr.

The government has also started borrowing from the central bank, something prohibited under the International Monetary Fund's programme which ended in September.

It is believed that the government would not be able to improve its revenue collection since the economic growth is facing several tough resistances like falling remittances, declining exports, poor cotton growth, shrinking foreign investment and poor domestic investment.
http://www.dawn.com/news/1293878/govt-plans-to-borrow-rs16tr-in-nov-jan

CURB ILLEGAL TRADE BETWEEN PAKISTAN, IRAN: LCCI
Dawn, November 3rd, 2016

LAHORE: Lahore Chamber of Commerce and Industry (LCCI) President Abdul Basit said on Wednesday that curbing illegal trade between Iran and Pakistan can give considerable boost to the bilateral trade volume.

Talking to an Iranian delegation led by Mohsen Heidarian at the LCCI, Mr Basit said illegal trade is not only damaging local industries, but also causing a huge loss to the exchequers of the two countries.

Members of the Iranian delegation, Mohsen Varzeshkar and M S Attarseyedi from Jey Oil Refinery Company, also spoke on the occasion.

Mr Basit informed the visiting delegation that oil refineries in Pakistan are doing well despite a considerable fall in international oil prices. Its main reason, he added, is that there has been no decline in the demand for petroleum products.

He said Pakistan requires more than 22 million tonnes of oil annually, adding that it will take time to achieve self-sufficiency.

He said there is great scope for Iranian companies in the export of petroleum products to Pakistan. Additionally, he said Iranian companies can set up oil refineries in Pakistan in collaboration with local counterparts.

The LCCI president said the China-Pakistan Economic Corridor (CPEC) is likely to increase the demand for petroleum products in view of the projected rise in logistic activities across the country.
Maximum efforts are needed to strengthen Pakistan-Iran relations in all fields, Mr Basit said, adding that both sides must conduct market research to further improve bilateral trade relations.
He said the two countries should give each other priority for trading goods instead of doing business with faraway countries. He also called for collaboration in small and medium enterprises (SMEs) as well as mega projects like onshore and offshore oil and gas exploration, hydel and coal-based energy projects, paper and board, sugar, cement, chemicals, transport and communication, infrastructure, scientific and educational cooperation, handicrafts, artificial jewellery, carpets and fancy furniture.

Members of the Iranian delegation also spoke about improving bilateral trade and investment opportunities.
http://www.dawn.com/news/1293870/curb-illegal-trade-between-pakistan-iran-lcci

OUTLOOK: FINANCE MINISTER BRIEFED ON DEBT SUSTAINABILITY
The Express Tribune, November 3rd, 2016.

ISLAMABAD: Finance Minister Ishaq Dar held a meeting on Wednesday to review the overall debt profile of the country.

The finance secretary and director general Debt Office briefed Dar, saying that Pakistan's debt sustainability has improved during the present government's tenure.

The overall borrowing rate has shown a decrease due to macroeconomic stability and improved credit ratings by international rating agencies.

The meeting was attended by senior officials of the Ministry of Finance

Dar appreciated the efforts of the Debt Policy Coordination Office and said that the government's good management and prudent economic measures have resulted in Standard & Poor's upgrading Pakistan's long-term credit rating from B-to B with stable outlook.
He said that in their report Standard & Poor's have acknowledged steps taken by the present government for overall improvement in Pakistan's economic indicators, implementation of reform agenda and good governance.
On Tuesday, S&P Global Ratings raised its long-term sovereign credit rating on Pakistan by one notch to 'B' from 'B-'.

JS Global analyst said that the upgrade was very much on the cards given the successful completion of the three-year International Monetary Fund reform programme by Pakistan, where reasonable progress was achieved to address structural inefficiencies and combat external and domestic security risks.

S&P expects further gradual gains in fiscal consolidation, leading to fiscal deficit of below 3% of GDP by 2018, and also now expects average annual GDP growth to clock in at 5% over 2016-19 from its earlier estimate of 4.7%.

http://tribune.com.pk/story/1218961/outlook-finance-minister-briefed-debt-sustainability/

THE ECONOMIC MANAGERS AND REGULATORS
Business Recorder, November 03, 2016
Pakistan's economic performance has been under scrutiny since the IMF Managing Director's visit early this month. Her press conference with the Finance Minister at the conclusion of her visit captured the essence of our situation. She spelt out a 'moment of opportunity' for Pakistan that basically involves putting our economic house in order both in macro and micro senses if we want to compete in the global race of nations and reap the consequential benefits of a growing economy. This will entail carrying out major economy-wide structural reforms starting from the power sector reforms to the business climate reforms.

Given that Pakistan is way behind other nations in this race as reflected in Pakistan's abysmal 'bottom of the pack' ranks in most global indices of economic competitiveness and human development, the effort has to be comprehensive, co-ordinated and determined. To put it in perspective it is like Pakistan cricket team ranking persistently among laggards like Afghanistan, Scotland and Ireland in the various ICC rankings.

In the case of the cricket team the public would rightly demand the heads of the lords of Pakistan Cricket Board who manage the affairs of cricket and ultimately bear responsibility for the performance of the cricket team. But what about the responsibility of performance of the economy of Pakistan? Who are the lords who run the economy and whose heads should roll when our expectations are not met?

In this respect on the top of the Totem pole is the Cabinet of Pakistan headed by the Prime Minister that bears collective responsibility for the economic growth and prosperity of the people. The parliament of Pakistan gives unprecedented powers to the Cabinet and the Prime Minister to formulate, implement and administer the economic policy of Pakistan.

The cabinet has the entire financial, human and natural resources of Pakistan at its disposal to create wealth and prosperity for the nation. Therefore, when year in and year out Pakistan continues to languish at the bottom of indicators of success while other countries leap frog into the front then Pakistan's Cabinet and Economic managers have a lot of explaining to do.

In last two years under prime minister Narendra Modi, for example, India leap-frogged by thirty two ranks in the Global competitiveness index to attain position of 39 whereas Pakistan under Nawaz Sharif improved its rankings by an anaemic six ranks to achieve 122 position. At the root of this discrepancy is the quality of governance of institutions. If Pakistan has to seize the Christine Lagarde's 'moment of opportunity' it has to catch the bull by its horns and reform the entire range of public institutions of Pakistan.

The State Bank of Pakistan website displays a list with 957 entries of government institutions starting from the Abandoned Properties Organisation and ending with the District Councils of Sindh at 957th. In addition, it displays a list of over 100 nonfinancial Public Sector Enterprises.

While some of these institutions may be defunct but most of them are probably a net burden on the people of Pakistan. It is the responsibility of the cabinet to ensure that these institutions work for the betterment and prosperity of Pakistan. Under the Prime Minster there are almost 30 federal ministries with numerous attached departments and public sector enterprises. Similarly, at the provincial level the chief ministers preside over equally large cabinets and departments.

Thus when Pakistan's global rankings are so dismal, it is naturally the ministries and departments that have to bear the brunt of criticism. Basically, the ministries that are in charge of designing the economic governance system of Pakistan have a special responsibility.
They are responsible for effectively implementing and administering their respective policies and strategies. These ministries are also linked to the regulatory institutions of Pakistan. Some of these regulatory institutions are supposed to be independent from their mother ministries yet we see them being dictated to various degrees by their administrative ministries.

Almost all segments of Pakistan's economy are highly regulated and the regulator has a mindset which is anti- growth and regularly cripples the segment with onerous regulatory burden. Last year, we witnessed a sharp deterioration in the index measuring intensity of competition in Pakistan's domestic economy. Yet we know that competition at home leads to competitiveness in global markets.

The Competition Commission of Pakistan (CCP) is the regulator that promotes competition in the domestic economy. Clearly it is not performing in line with its mandate. But it is helpless when the Parliament of Pakistan defangs its powers through a restrictive legislation.

The Ministry of Finance runs the fiscal policy of the country. It also controls and dominates the central bank and other entities managing the financial and capital markets of Pakistan. The State Bank of Pakistan not only conducts monetary and exchange rate policies but also regulates the banking industry to promote competition and economic development.

Yet it is not autonomous in its monetary policy; nor is it delivering a banking sector that is competitive and playing the role of national development and employment generation. The banking sector is perceived to be a cartel with the government mopping upmost of the available credit for its own financing operations.

The other half of the financial markets comprises the capital markets under regulation of the Securities Exchange Commission of Pakistan (SECP). In spite of a long history of capital market institutions pre-dating independence in Pakistan, the capital markets have been unable to play a significant role in economic growth and nation building.

In the critical energy sector, poor policies and mismanagement of the sector are crippling the economic growth of the country. The website of Oil and Gas Regulatory Authority (Ogra) boldly states its mandate to promote competition and efficiency for the benefit of the consumer but has failed to achieve even an iota of competition in the sector or benefit for its downstream industrial and domestic consumers. We are burdened with an oil and gas sector that is highly inefficient, over-priced and subject to frequent irregularities and inadequacies in supply.

The concepts of overwhelming circular debt, contingent liabilities and budgetary support for the inefficiencies of the energy sector have taken root in Pakistan signifying the bankruptcy of public sector management of the sector. Nepra, the electric power regulator, has been unable to create a competitive power market in Pakistan and has delivered Pakistan one of the most expensive powers in the world bedeviled with heavy load-shedding and unreliable supply.

In the water sector the Ministry of Water and Power keeps harping about the impending water crisis in the country but fails to even develop a policy to deal with the emerging disaster. It has Wapda as an implementing body and Irsa as a regulator. The entire chain of water governance at the federal and the provincial levels is gridlocked over creating appropriate storage capacity or improving water management in the system. It is all talk and no action.

The ministries of industry at the federal and provincial levels with their attached departments have been ineffective in ushering in anything resembling industrial development and growth. The food and agriculture development entities have failed to introduce new seeds, new technology or farm practices to fully utilise the vast agricultural potential of the country. The Ministry of Commerce and TDAP have not been able to make any breakthrough on the export front. The board of investment has little to show for its efforts in attracting FDI.

As far as the human resource development of Pakistan is concerned the sector is ubiquitous by the absence of a focused and effective human resource development strategy. While the HEC under Dr Atta-ur-Rehman gained some traction yet we don't have a single university in the top 500 universities of the world.

In spite of the involvement of the federal and provincial governments with a huge paraphernalia of education and health ministries with a network of attached departments Pakistan continues to have low achievement standards, inadequate teachers and the largest number of children out of school in the region. Child malnutrition and stunted growth are rampant throughout the country.

It is clear that Pakistan needs to revamp the entire governance structure of Pakistan if it wants to win in the race of nations. It needs to create a meritocracy that is performance-oriented and accountable to the people of Pakistan. So far the government of Prime Minister Nawaz Sharif has shown no inclination to engage in this massive reform and restructuring exercise that is so critical for 'seizing the moment of opportunity'.
http://www.brecorder.com/articles-a-letters/187/99492/

December 2016

NEWS COVERAGE PERIOD FROM DECEMBER 26 TH TO JANUARY 1ST 2016

DAR SAYS ALL ECONOMIC INDICATORS ARE POSITIVE

The Express Tribune, December 27th, 2016.

LAHORE: All economic indicators are moving in the right direction and the situation will improve further in the coming months, said Finance Minister Ishaq Dar while talking to a delegation of the Lahore Chamber of Commerce and Industry.

He said that Pakistan has made a strong comeback and is now stronger after 2013.

"Foreign exchange reserves are at a record level, while Pakistan Stock Exchange is giving one of the best performances," said Dar, adding that macroeconomic stability has caught the attention of investors around the globe.

Responding to a question, he said that the Kalabagh and Bhasha dams cannot be built at the same time as the former has been politicised. He said that Bhasha dam would be constructed at any cost, as China is being asked to include Bhasha in the China-Pakistan Economic Corridor.

He invited the LCCI to share their budget proposals, saying that the government always took them on board.

Speaking on the occasion, LCCI President Abdul Basit highlighted issues of refund claims, attachment of bank accounts, misuse of discretionary powers and disparity in energy prices between the provinces.

He said that the halal food sector should be given the zero-rated facility as the country has little share in international halal food trade of about $3 trillion. He said that difference in gas and electricity prices should be removed to provide a level playing field to the industries throughout the country. Basit also called for withdrawal of ban on new gas connections for the industry.

Talking about Bhasha and Kalabagh, he said that both dams are essential for the national economy, adding that opponents of Kalabagh dam are actually safeguarding the Indian interests therefore they should not be given any weight. The energy mix of the country is very expensive due to lack of hydel power generation. This results in tariff hikes and makes the industry uncompetitive in the international market.

He suggested that the Ministry of Finance use the international and domestic stock markets for generation of funds for Diamer-Bhasha and Kalabagh Dams. This would help the government to raise capital required for the construction of these mega dams. Once successful, this method can also be used for the construction of other energy projects.

He demanded that new industrial zones should be developed around Lahore and in throughout Punjab for catering to the demands for establishing new industries.

http://tribune.com.pk/story/1275692/dar-says-economic-indicators-positive/

UNRAVELING OF PAKISTAN'S ECONOMY
Dr Ashfaque H Khan

A three-year IMF programme for Pakistan has ended in September 2016. The outcomes of the programme have widely been disputed. The IMF and the government are of the views that the programme has helped the country restore macroeconomic stability and reduce vulnerability. In particular, economic growth has accelerated and inflation is down, external buffers have been bolstered, fiscal deficit has been reduced and social safety nets have been strengthened.

Independent economists on the other hand have strongly disputed these achievements. They believe that the 'success' in raising economic growth was achieved through exaggerating the growth rates of the key components of the real GDP each year. Inflation was down not because of prudent fiscal and monetary policy pursued under the programme but because of the collapse of international prices of oil and commodities on the one hand and destruction of domestic demand owing to the pursuance of stabilization policy for a prolonged period, on the other.

A reduction in fiscal deficit by 2.5 percent of GDP (excluding circular debt), that is, from 7.1 percent to 4.6 percent of GDP during a three-year programme was achieved through numbers of accounting tricks and gimmickries. External buffers have been bolstered by indulging in large-scale external borrowing.

Independent economists have been highlighting these issues through their writings in this newspaper. Today, an overwhelmingly large number of Pakistanis living within or outside Pakistan do not believe on the 'success' story of the IMF Programme. Never in the history have we witnessed such a wide reality gap in accepting "success story" on economic front.

What is happening to Pakistan's economy after the IMF Programme? This is the subject matter of this article. The key economic aggregates that were inflated to show a better performance of the economy during the programme period are now creating serious challenges for the government. Most economic indicators exhibit deteriorating trend after the IMF programme because these are measured against inflated bases.

Large-scale manufacturing (LSM) appears to have collapsed right after the release of July-March 2015-16 number, which was used in calculating real GDP growth for the year 2015-16. The LSM index continued to exhibit a rising trend starting from November 2015 and reaching to a peak in March 2016 when index grew by 7.6 percent.

As soon as the Survey 2015-16 was released, the growth in LSM simply collapsed to negative 2.9 percent in April 2016, negative 1.1 percent in May 2016 and zero percent growth in June 2016. What happened to industrial growth overnight? Particularly, why it collapsed in April-June 2016? Why the factors that were driving industrial growth during November 2015 to March 2016 suddenly disappeared during April 2016 onward?

The LSM grew by 2.0 percent during the first four months (July-October) of the current fiscal year as against 4.4 percent during the same period last year. If we take a bit longer view, the LSM grew by only 0.36 percent during April – October 2016 as against 5.0 percent during the same period last year. The bottom line is that the LSM growth has collapsed and witnessing a virtual stagnation.

Agriculture has been growing at an average rate of 2.1 percent during the last eight years and 1.6 percent during the last three years. The prospects of agriculture remain dim in the current fiscal year due to a drought-like situation in the country. Agriculture is expected to grow in the range of 1.5-2 percent in the current fiscal year. Based on the performance of LSM and agriculture, the overall real GDP is expected to rise in the range of 3.5-3.8 percent – very much in line of the last eight years.

After the IMF programme, government's borrowing has shifted towards the country's central bank. As against the retirement of Rs 235 billion, the government has borrowed Rs 1079 billion (a turnaround of Rs 1314 billion) from the State Bank of Pakistan during July 1-December 9, 2016 for financing its budget deficit. This is a complete departure from the last three years when Pakistan was under the IMF programme.

Credit to private sector is still less than that of last year during the comparable period despite the fact that the government, instead of heavily borrowing from commercial banks in fact retiring loan to commercial banks. Why the private sector still shy in borrowing and expanding businesses?

Given the depressed level of economic activity and the inflated base of last year, tax collection during the first five months (July-November) of the current fiscal year has simply collapsed. Tax collection is up by only 2.0 percent during July-November 2016 and declined by 8.5 percent in the month of November 2016 alone. What happened to tax collection after the IMF programme?

The low level of economic activity in the country is worsening the unemployment situation. No unemployment statistics are available beyond 2014-15; therefore, the evaluation of the current situation based on official statistics is not possible. However, given the trend, it is safe to suggest that it must have worsened after 2014-15.

Unemployment was at 13-year high at over 8.0 percent (including discouraged workers' phenomenon) in 2014-15. New entrants to labour market are reduced to one-half during 2013-14 and 2014-15 as against an average of 1.3 million during 2008-13. One out of five graduate and post-graduate degree holders were unemployed in 2014-15. The situation must have worsened during the post-2014-15 period.

Exports are on the decline since 2014-15 onward. Exports have declined from over $25 billion in 2013-14 to less than $22 billion in 2015-16 – a decline of over 12 percent during the period. Exports are down by 3.9 percent during the first five months (July-November) of the current fiscal year. The government has failed thus far to identify the factors that have caused secular decline in exports. It has only blamed the global economic environment for declines in exports.

We believe that senseless taxation to achieve revenue targets under the IMF programme, holding the refunds of exporters with a view to jacking up revenue and hence creating serious liquidity problems for them, artificial stability in exchange rate created because of heavy external borrowing to bolster external buffer, infrastructural bottlenecks such as the availability and prices of electricity, gas, water and not so conducive business environment, are some of the factors that have eroded the competitiveness of our exporters. Without addressing these issues, the recovery in exports appears challenging going forward.

Remittances have been a major source of foreign exchange as well as a key factor in keeping current account deficit low in the past several years. Remittances grew by 18.2 percent in 2014-15 but slowed to 6.4 percent in 2015-16. Further slowdown is expected in the current fiscal year owing to the adverse budgetary developments in oil producing countries.

Remittances are down by 2.5 percent in July-November 2016 as against a positive growth of 7.2 percent during the corresponding period of last year. This is emerging as a serious challenge for Pakistan's external sector going forward.

Foreign Direct Investment (FDI) is an important source of foreign exchange earnings and is regarded as a major non-debt creating inflows to finance current account deficit. Pakistan received $1.9 billion FDI in 2015-16. FDI has nosedived to $460 million during July-November 2016 as against $840 million in the same period last year – a decline of 45 percent. Such a low level of FDI would force the government to rely heavily on debt creating inflows to finance current account deficit.

Finally, debt – both public and external – is on the rise with a threatening pace. During the last eight years (2008-2016), external debt and liabilities have increased by $32.7 billion. In other words, almost 45 percent of total stock of external debt and liabilities have been added during the last eight years alone. Pakistan has added $12 billion during the last three years and the remaining $20.7 billion during 2008-13. In the first quarter (July-September) of the current fiscal year (2016-17), we have added another $1.6 billion to reach at $74.6 billion.

Total loan disbursed during July-November 2016 is $3.0 billion, of which, loan from China ($1189 million), Noor Bank Dubai ($200 million), IDB ($212 million) and Sukuk ($1000 million) accounted for 86.5 percent. Most of the Chinese loan ($1013 million) came under CPEC projects. Pakistan has added Rs 865 billion in public debt during the first three months (July-Sept) of the year. In other words, the government has added public debt at the rate of Rs 288 billion per month. Given the financing requirement of the current fiscal year ($15 billion), Pakistan's external debt and liabilities is projected to reach $81 billion by end-June 2017.

The unraveling of the economy soon after the completion of the IMF programme is consistent with our views about the outcomes of the programme. Most economic indicators show a deteriorating trend. For example, the growth of large-scale manufacturing is low and stagnant, private sector is still shy and borrowing little to expand their businesses, tax collection by the FBR has collapsed, unemployment situation is worsening, borrowing from the central bank has returned with full vengeance; exports, remittances and FDI are down, the country has lost $753 million reserves in the last 35 days, and debt is on the rise with a threatening pace.

Economy appears to have gone off the screen of the political leadership. No one appears to be interested in salvaging the economy. (The writer is Principal & Dean at NUST School of Social Sciences & Humanities, Islamabad. Email: ahkhan@s3h.nust.edu.pk)

http://epaper.brecorder.com/2016/12/30/27-page/833437-news.html

HIGHER DEFICIT, LOW REVENUE CHALLENGE ECONOMIC GROWTH: SBP
Dawn, December 31st, 2016

Shahid Iqbal

KARACHI: Higher fiscal deficit, sharp decline in non-tax revenue and tax revenue much below expectations are serious challenges for the government willing to spur economic growth, the State Bank of Pakistan (SBP) said in its first-quarterly report for 2016-17 issued on Friday.

In terms of gross domestic product (GDP), the fiscal deficit during the July-September quarter stood at 1.3 per cent, the highest quarterly level since 2011-12, the SBP said.

Given the revenue shortfall during the quarter, achieving the annual fiscal deficit target of 3.8pc of GDP would be challenging and would require additional fiscal consolidation efforts on part of the government, it said.

The State Bank expects the current account deficit to remain in the range of 1pc to 2pc of GDP in the current fiscal year, which is higher than its earlier forecast of 0.5pc to 1.5pc.

More importantly, the deficit increased despite an exceptional growth in provincial surpluses, it said, adding that the major drag came from a sharp decline in non-tax revenues (mainly due to the absence of inflows under the Coalition Support Fund, drop in dividends from public sector enterprises, and lower profit from the SBP).

Tax revenues also remained well below expectations. On the expenditure side, the government was more prudent, as current spending registered a marginal decline. Development expenditures, on the other hand, increased 12.4pc year-on-year during the quarter, on top of the 47.4pc rise recorded in the first quarter of FY16.

State Bank’s initial assessment indicates that the economy is moving on its growth trajectory despite some challenges. Agriculture, sugarcane and maize harvests (accounting for 14.6pc of the crop sector) are expected to reach record levels in the current fiscal year.

Furthermore, though the cotton production missed the target of 14.1 million bales by a significant margin, it is still higher than the last year’s level.

However, lower production of rice compared to the last year and a decline in sowing area in the cotton belt of Punjab do raise some concerns. Specifically, rice production has remained below last year’s level — this was the third consecutive year when rice output recorded a year-on-year decline.

Similarly, the shortfall in cotton production, when compared to the target, is mainly due to a 20.8pc decline in area under the crop in Punjab. “This in itself was the result of low cotton prices at the time of sowing,” the SBP said.

Meanwhile, the government has been able to contain current expenses due to lower spending on subsidies. Interest payments, however, remained unchanged as the gains realised from low interest rates were largely offset by an accumulation of public debt stock.

On the other hand, the strong growth in development expenditure during the quarter was led by the provinces, as federal development spending dropped 7.6pc year-on-year in July-September. Most of the spending by provinces went to infrastructure improvement, followed by health and education.

The SBP said that overall stock of public debt increased by Rs866.1 billion in the July-September quarter, with over 85pc of the incremental debt contributed by government borrowings from domestic sources.

As for inflation, an uptick was already expected in the current fiscal year, the central bank said, adding that the recent revival of global oil prices after a global agreement on oil supply may lead to higher non-food inflation. On the other hand, food inflation may remain in check as the current stocks of staple food (wheat and rice) seem sufficient.

“On balance, therefore, the inflation is expected to remain within the target for the year,” the report said.

On large-scale manufacturing growth, which has been fairly low compared to the last year, the State Bank said it expects some pick-up in its pace on the back of continued supportive policies, like low interest rates, reduced cost of energy with improved availability, strong domestic demand, healthy corporate margins, and a conducive investment environment.

http://www.dawn.com/news/1305423

PAKISTAN TO USHER ECONOMIC GROWTH, DEMOCRACY: SPEAKER NA
Business Recorder, 1 January 2017

ISLAMABAD: Speaker National Assembly Sardar Ayaz Sadiq expressed his hope on Saturday that the dawn of 2017 will usher Pakistan into a new year of sustained economic growth coupled with uplift of the common man and consolidation of democracy.

In his felicitation message to the nation on the eve of New Year, Speaker said, “The upcoming 2017 will surely bear witness to fact that we have decisively turned a page in our history and have embarked upon our national journey afresh with resolve to overcome the challenges of the era.”

The Speaker reiterated the resolve of incumbent government to an inclusive democracy dedicated to uplift of downtrodden and streamlining of marginalized strata of the society. He remarked that, “The days of terrorism in Pakistan are numbered and expressed his confidence that 2017 will further consolidate Pakistan’s march towards peace and prosperity.”

Sardar Ayaz Sadiq paid a rich tribute to the services of the armed forces and law enforcement agencies for the defence, integrity and security of Pakistan and added that, “The nation stands in solidarity with the families of martyrs.”

Referring to Pakistan’s challenges, Sardar Ayaz Sadiq remarked that, “The march of resilient Pakistani state and society will overcome the mounting challenges.” He urged his fellow countrymen to shun all the differences and unite under the banner of faith, unity and discipline as espoused by the founding father. He underlined the need for promoting religious harmony and interfaith dialogue to pursue the ideals of equal development and mutual coexistence as central element for a pluralistic Pakistani state.

Speaker expressed his hope that Pakistan will continue to reverse the tides of poverty by enriching the youth bulge with employable skills and spirit of entrepreneurship.

Referring to Pakistan’s regional objectives, he highlighted that, “Pakistan is committed to a peaceful South Asian region and will continue to cooperate with other regional players for peace in the region.”

Wishing a happy New Year to the people of Pakistan, Sardar Ayaz Sadiq expressed a sanguine hope that the nation will make the best of the New Year.—NNI

http://epaper.brecorder.com/2017/01/01/3-page/834474-news.html

NEWS COVERAGE PERIOD FROM DECEMBER 19 TH TO DECEMBER 25TH 2016
LAHORE VS CHENGDU – A GOVERNANCE PERSPECTIVE
The Express Tribune, December 19th, 2016.

Zia Banday

ISLAMABAD: During Chinese President Xi Jinping’s visit to Pakistan last year, a protocol was signed for establishing sister city relationship between Lahore and Chengdu, the capital of Sichuan province.

The purpose of the agreement is to foster cultural and commercial relationship between the sister cities. Now a question arises why is Chengdu selected for this purpose? Keeping aside the government rationale, this decision makes much sense from the economic angle.

In order to comprehend this point, one has to take a look at the positioning of Chengdu on the map of China.

Located in southwestern part of the country, Chengdu is the nearest first-tier city to Pakistan. Its road distance with Kashgar, the starting point of CPEC, is around 4,000 kilometres. However, at a distance of 1,900 km, Shenzhen is the closest seaport to Chengdu.

If the sea distance is taken into account, a shipment from Chengdu destined for the Middle East, Africa and Europe has to cover, then CPEC becomes a viable proposition for Chengdu-based traders.

Like Lahore, Chengdu is located in the heart of China's breadbasket, the Sichuan province. A landlocked territory, Sichuan is the third most populous Chinese province with a population of 82 million. Chengdu, its capital, has emerged as the star performer of the Chinese 'Go West' policy initiated in the 2000s.

Milken Institute, a US-based think tank, has ranked Chengdu first among best business cities of China in 2015. With a population of 14 million against Lahore's 9 million, Chengdu's economy of $173 billion is more than three-fold bigger than that of Lahore.

Enormous growth of the last decade and a half in the western region creates a perfect alibi for China to engage in its One Belt One Road (OBOR) initiative to sustain this forward journey.

Chengdu is dubbed the hub of transportation and communication in western China. It has the fourth busiest airport in China. Over half of the Fortune Global 500 companies have their offices in the city.

Besides economy, Lahore needs to learn a lot of political lessons from the governance of Chengdu. Unlike Lahore, where the chief minister of Punjab is the person calling the shots, it is the party secretary and mayor of Chengdu that are leading its growth plank.

With this decentralised approach, fortunes of Chengdu are managed much better by its municipal officials than if they were handled directly by the provincial leadership of Sichuan.

The sister-city relationship with Lahore was led by Tang Liangzhi, the mayor of Chengdu, who met Shahbaz Sharif to finalise the agreement.

This scenario is often repeated at other local-level collaborations between Pakistani and Chinese officials. We need to understand the limitation of the federal and provincial leadership to engage with the number of Chinese officials and enterprises in their numerous meetings.

China has a population of 1.3 billion and an economy of $11 trillion. It has 22 provinces, five autonomous regions, four municipalities and 291 prefecture-level cities.

Pakistan needs to expand its political-level engagement with Chinese local authorities to facilitate economic collaboration and investments.

With local bodies set at the saddle in Pakistan, now it is the turn of mayors of large metropolitan centres to take off some of the load from the shoulders of federal and provincial leadership.

Indeed, a direct interaction between Mubashir Javaid, Mayor of Lahore and Tang Liangzhi, Mayor of Chengdu, may create more synergy in inducing economic facilitation and cooperation. Pakistan needs to move fast on nurturing this grassroots-level collaboration with Chinese authorities.

A vibrant city like Chengdu will not wait for bureaucratic niceties to forge ahead. It will spread its tentacles all around to optimise its growth potential.

Cognisant of the economic importance of Chengdu, India has opened its consulate there last year. Indian IT giants, like Wipro and NIIT, have established their development and training facilities in Chengdu.

Bangalore and Chengdu were officially declared sister cities in 2013. Now, Lahore, the IT hub of Pakistan, has to think about moves to create business relationship with Chengdu, its sister city. Who could be better salesman of Lahore than its mayor, pitching business potential of the city to companies in Chengdu.

The writer is a director at the Policy Research Institute of Market Economy

http://tribune.com.pk/story/1267187/sister-cities-lahore-vs-chengdu-governance-perspective/

‘BALANCING GDP GROWTH, SOCIAL STABILITY IMPORTANT FOR PAKISTAN’
Dawn December 20th, 2016

Amin Ahmed

ISLAMABAD: With an annual growth of nearly five per cent, Pakistan’s economy is now on the path to stability, and taking this advantage the government should try to create a balance between the economic growth and social stability, Ambassador of Japan Takashi Kurai said on Monday.

While he acknowledged that creating a balance between the two is difficult for many countries, he emphasised that it is a very important task for Pakistan.

“I believe the government is well aware of the importance of increasing access to education and health, narrowing gender gap, raising literacy rate and improving standards of living of the people,” he said while talking to Dawn.

Social stability should also improve as there are varied standards of living in Pakistan and the number of salaried people is also high, he said.

At the same time, broadening tax base, reducing debt and introducing structural reforms in the economy should also be tackled with as it would help achieve sustainable and long-term economic stability, he observed.

Regarding the China-Pakistan Economic Corridor (CPEC), the Japanese envoy said it was a huge project and he wished that it would be implemented successfully and benefit the people of Pakistan.

On Japan’s participation in the CPEC, the ambassador said: “If we find any project feasible and beneficial to Pakistan, whether it is included in the framework of the CPEC or not, Japan would consider its participation.”

He said Japan has already been providing a fair amount of development assistance to Pakistan, and to some extent the two countries are enjoying business relationship now on a commercial basis.

Bilateral trade growth has entered into double digits to reach $2 billion while investment stood at over $7 million in 2015, the envoy said, foreseeing increasing level of economic and business relations between the two countries.

As Pakistan’s trade balance is negative, the country should increase exports to Japan to create a balance, he suggested. One of the fundamental reasons for small export volume is that Pakistan exports low-value products like raw materials, he said, stressing that the country should export high-value products.

For instance, Pakistan's apparel exports accounted for around 30pc of overall textile exports, whereas Bangladesh's high-value products comprised 90pc of overall textile exports, he mentioned.

Ambassador Kurai expected a high-level Japanese business delegation to visit Pakistan some time next year. This visit would be the follow-up to a similar visit of Japanese delegation which held extensive talks with government and business people last November.

Japanese businessmen who were part of the delegation clearly recognised that there is still more room for increasing both trade and investment relations between Pakistan and Japan, he said.

It is now necessary that the elements identified by the delegation for increasing trade and business relations should be put into action.

The elements include security situation, betterment of business environment and improvement in infrastructure, particularly energy and water supply.

https://www.dawn.com/news/1303331/balancing-gdp-growth-social-stability-important-for-pakistan

NEWS COVERAGE PERIOD FROM DECEMBER 12 TH TO DECEMBER 18TH 2016
'PAKISTAN TO TAKE OFF AS REGIONAL ECONOMIC POWER' BECAUSE OF CPEC
Business Recorder, December 15, 2016.

CPEC, 'One Belt and One Road' global initiative of China has provided Pakistan the golden opportunity to take off as a regional economic power. Pakistan has been unable to grow and develop as fast as its neighbours in South Asia, on account of poor infrastructure which is already straining under demands of a large population growing at higher rate than world's average.

Chinese lending via CPEC for infrastructure and energy projects will bridge infrastructure development gaps in Pakistan. The Industrial Phase of CPEC in Pakistan is now starting and Government of Sindh is actively working on the development of industrial parks and Special Economic Zones in the province. Research and Development International, Chinese Academy of Social Sciences (CASS-RDI) has worked extensively on the development of the 'One Belt and One Road' Initiative and Government of Sindh is supporting its efforts in bringing Chinese businesses to engage with Pakistani businesses and set up industries in the province

The objective of this event was to provide a platform to Chinese and Pakistani businesses to discuss and explore potential partnership and investment opportunities in Sindh. The visiting Chinese delegation represented fifteen business sectors, including real estate, technology, engineering and Chinese medicine amongst others.

Speakers at the event were, Senator Saleem Mandviwala, Naheed Memon, Chairperson SBI, Government of Sindh, Dr Baige Zhao, chair of the Advisory Committee of CASS-RDI while Senator Mushahid Hussain, Co-Chair, Pakistan China Institute delivered the concluding address. To further strengthen relations between the two countries, a Memorandum of Understating to establish Pak- China Real Estate Association (PCREA) was also signed.

http://www.brecorder.com/business-and economy/ 189:pakistan/ 113520: pakistan-to-take-off-as-regional-economic-power-because-of-cpec/?date=2016-12-15

NEWS COVERAGE PERIOD FROM DECEMBER 5 TH TO DECEMBER 11TH 2016
REMITTANCES IN NOVEMBER UP 3.27% YEAR-ON-YEAR
The Express Tribune, December 10th, 2016.

KARACHI: Overseas Pakistanis remitted $1,616 million in November 2016, up a meagre 3.27% compared with the same month of the previous year, according to data released by the State Bank of Pakistan (SBP) Friday.

However, total remittances received by Pakistan during the first five months (Jul-Nov 2016) amounted to $7,874 million, down 2.45% compared with $8,072 million received during the same period of the preceding year.

After a shocking fall of over 20% in the month of July 2016, the flow of remittances into the country has remained relatively stable. Moreover, the months of October and November 2016 have shown gradual increase in remittances. Pakistan received $1.5 billion in October 2016, slightly up by 1.2% compared to October 2015.

Like many other developing countries, Pakistan's remittances have come under pressure due to a global economic slowdown triggered by low oil prices that have forced crude-dependent economies to cut down on spending.

Remittances play a major role in stabilising the country's external sector, as they make up almost half the import bill and cover deficit in the trade of goods account.

Pakistan received remittances amounting to $19.9 billion in 2015-16, up 6.4% from the previous year.

Declining exports and a gradual slowdown in remittances are major challenges for economic managers of the country. However, SBP Governor Ashraf Mehmood Wathra is confident that the country faces no immediate threat from the slowdown in remittances and it is in a much better position to repay debts in the next four to five years.

The country wise details for the month of November 2016 show that inflows from Saudi Arabia, UAE, USA, UK, GCC countries (including Bahrain, Kuwait, Qatar and Oman) and EU countries amounted to $ 465.19 million, $362.71 million, $193.98 million, $192.8 million, $193.12 million and $37.03 million respectively compared with the inflow of $488.29 million, $350.84 million, $192.39 million, $191 million, $191.46 million and $31.64 million respectively in November 2015.

Remittances received from Norway, Switzerland, Australia, Canada, Japan and other countries during November 2016 amounted to $171.60 million together as against $119.57 million received in November 2015.

http://tribune.com.pk/story/1258873/remittances-november-3-27-year-year/