January 2017

NEWS COVERAGE PERIOD FROM JANUARY 23RD TO JANUARY 29TH 2017

STAY CULTURE HITTING THE ECONOMY, SAYS CJ

Dawn, January 29th, 2017

LAHORE: Lahore High Court Chief Justice Syed Mansoor Ali Shah said on Saturday that the culture of granting a "stay" in litigation should be discouraged as it was hitting the country's economy hard.

He was speaking at a function held at the Lahore Chamber of Commerce and Industry (LCCI), where he inaugurated a "Mediation Centre" for out-of-court settlement of business disputes.

He said nobody else could understand the value of time and money better than the business community, therefore, business disputes should be resolved instead of wasting time.

He said new ways should be found out for dispute resolution to save time and money of the parties to litigation. He said concept of mediation was being promoted rapidly and the LCCI had taken an important initiative through establishing a platform for the purpose.

Justice Shah invited the chamber to form a focal committee that should be integrated with the system of the LHC through information technology.

He said that an Alternate Dispute Resolution Centre was being established in District Courts, in collaboration with the World Bank, that would be inaugurated soon. He said because the courts were already burdened with criminal cases, contractual issues should be resolved through mediation.

LCCI President Abdul Basit said no country could achieve the goal of economic development without ensuring rule of law.

He said the LCCI had established the Mediation Centre for out-of-court settlements of the business disputes. Engineer Sohail Lashari said Pakistan's legal system, besides being overburdened, tended to take a lot of time to decide cases, and that mediation could be the quickest and most effective mode of alternate dispute resolution.

Justice Muhammad Yawar Ali, Justice Muhammad Anwarul Haq, Justice Sardar Muhammad Shamim Ahmad Khan, Justice Mamoon Rashid Sheikh, Justice Muhammad Farrukh Irfan Khan and Justice Shujaat Ali Khan were also present.

http://www.dawn.com/news/1311383

NEWS COVERAGE PERIOD FROM JANUARY 16TH TO JANUARY 22 ND 2017

ECONOMIC GROWTH: DOMESTIC IMPULSE

Dawn, Business & Finance weekly, January 16th, 2017

Jawaid Bokhari

As current trends indicate, the re-balancing of the national economy is being driven by domestic impulse: whether it is a widening range of demands or investment inflow in the CPEC projects — badly needed to fill infrastructural and energy gaps.

The current approach to economic growth is different from the expansion pattern set by the financialisation of the global economy; at a time when the international market was awash with excess liquidity and many foreign banks were entering the Pakistani market. This was during Shaukat Aziz's tenure, first as finance minister and then as prime minister.

The focus was on development of capital market, banking and telecom sector which alone recorded robust growth. Even energy sector which fuels economic growth was neglected.

Since then the number of listed companies has droped sharply.

Many of banks left following the global financial crisis of 2007-08 and their assets were taken over by local peers. Their exit is providing local banks with a much greater share in financing the needs of the domestic economy.

The latest foreign bank to quit would be NIB which is being acquired by MCB. Banks are investing heavily in government papers and the process of consolidation is still continuing. Sindh and Summit Bank are in talks for a possible acquisition/ merger.

Acquisitions, mergers and joint ventures in non-bank and non-financial companies are attracting foreign investment because of their domestic business potential and not for exports. Foreign firms operating in Pakistan are ploughing back a significant portion of their earnings in investment, which today contributes nearly 40pc of the country's total direct foreign investment.

According to current market indicators, transactions for acquisitions, mergers and joint ventures appears to be picking up. The Abraaj Group, which has just decided to off-loaded its stakes (after a turnaround) in K-Electric , announced last week that it had entered into partnership with Islamabad Diagnostic Centre which plans to expand its network from the existing 20 to 50 centres across Punjab in the next five years.

Generally M&A's occur because people are supposed to add value to a business, enhance competitiveness and increase market share. But this exclusive approach is not enough to ensure an M&A's success.

In a talk on 'succeeding at M&A through confluence' organised by TerraBiz, chairman of the US based ConfluCore, LLP Usman A. Ghani criticised the M&A mania in developed economies of the West where the success rate was only two in ten cases.

Ghani says that M&A should not be treated as a transaction but a journey to a higher level of all round performance. Such a move requires understanding of the dynamics of integration and a strong focus on how it will be steered towards a successful conclusion.

Mr. Ghani is of the view that for an M&A to be a success it should also create value for customers and enhance employees' intellectual capacity through training. The M&A strategist does not subscribe to the concept of 'human capital'. He says that capital — plants and machinery — depreciates over time but intellectual capacity increases with age, training and skills.

The general impression is that M&A activity in Pakistan is merely focused on acquisition.

Back to the domestic impulse issue, the State Bank of Pakistan's quarterly report says the GDP growth of 5.7pc targeted for FY2017 is "expected from a rebound in agriculture and increased share of industry."

Both the federal and Punjab government took a series of steps to pull the crop sector out of stagnation. And the growing food processing industry is also providing some support to the livestock and crop sector.

Though the growth of the large scale manufacturing sector is sluggish, the central bank is perhaps pinning hopes on the recent surge in imports of machinery for balancing, modernising and replacement by the manufacturing sector and for the CPEC-related projects.

In the first quarter of FY2017, machinery worth Rs285.4bn was imported in addition to Rs8,894bn in the whole of the previous year. What is no less important is that the imports were primarily financed by investors though bank lending against fixed assets; another factor that is also rising simultaneously.

Surprisingly largescale manufacturing expanded 8pc in November.

As far as the CPEC projects are concerned, they will provide stimulus to a wide range of economic activities and also impart efficiency to commodity producing sectors, both in the realm of production and marketing.

The latest move to shore up export-oriented industries is the Rs180bn PM's package for exporters.

And the World Bank has revised upwards the country's growth rate to 5.2pc for this fiscal year.

https://www.dawn.com/news/1308766/economic-growth-domestic-impulse

PAKISTAN LEAVES INDIA BEHIND IN WEF'S DEVELOPMENT INDEX
Dawn, January 17th, 2017

ISLAMABAD: Pakistan has been ranked 52nd, ahead from India (60th), among 79 developing economies in the Inclusive Development Index (IDI), according to a World Economic Forum (WEF) report.

The 'Inclusive Growth and Development Report 2017', released in Davos on Monday, said that most countries were missing important opportunities to raise economic growth and reduce inequality at the same time because the growth model and measurement tools that have guided policy-makers for decades required significant readjustment.

India has been ranked 60th, below neighbouring China and Pakistan, according to the WEF report, carried by The Asian Age, an Indian newspaper.

Various Indian newspapers including The Hindu, Indian Express, Deccan Herald, Punjab Times and others carried the report, highlighting that India ranked below China and Pakistan in the IDI.

The index is based on 12 performance indicators. In order to provide a more complete measure of economic development than GDP growth alone, the index has three pillars — growth and development, inclusion and intergenerational equity, and sustainability. Lithuania tops the list of 79 developing economies that also features Azerbaijan and Hungary at second and third positions, respectively.

China is ranked 15th, Nepal 27th, Bangladesh 36th and Pakistan 52nd. Two BRIC nations, Russia and Brazil, are at 13th and 30th places, respectively.

Others in the top-10 are: Poland 4th, Romania 5th, Uruguay 6th, Latvia 7th, Panama 8th, Costa Rica 9th and Chile 10th.

http://www.dawn.com/news/1308890/pakistan-leaves-india-behind-in-wefs-development-index

MAJORITY OF ABC MEMBERS KEEN TO INVEST IN PAKISTAN
Dawn, January 17th, 2017

KARACHI: More than three fourths (78 per cent) of American Business Council (ABC) members plan to invest in Pakistan over the next year and are optimistic about the long-term economic situation, according to the results of a perception survey conducted by the council.

The same survey conducted last year showed that 65pc of the members were interested to invest.

In the present survey, a vast majority of respondents rated the business climate of Pakistan as satisfactory while 8pc gave it a poor rating. This is an improvement over 2014-15 when 11pc of the participants rated the business climate as poor.

The perception survey allows ABC members to rate their satisfaction on various economic, regulatory and political factors that affect the performance and growth of businesses operating in Pakistan. The factors include implementation and consistency of trade and competition policies, government development budget, domestic market, internal and external political climate and law and order.

The members have, however, observed that the government’s tendency to introduce mini-budgets as well as sudden changes in policies or rules during the course of a fiscal year “negatively impact on the existing as well new investments”.

With regard to the performance of each ministry directly affecting business climate, the participants responded that overall trend reflects there was a slight improvement over the last year.

“Our members are positive and remain committed to Pakistan,” ABC President Sami Ahmed said. International standing and perception, he added, was extremely important as Pakistan competes with other Asian players to attract capital in the form of trade exports, human resources and most importantly foreign direct investment.

The ABC is one of the largest investor groups in Pakistan with 67 members. They operate in various sectors, including healthcare, financial services, information technology, chemicals and fertiliser, energy, food and beverage, oil and others.

Meanwhile, Consul General of Japan Toshikazu Isomura during his meeting with business leaders last week disclosed that Japanese companies and investors have started refocusing on Pakistan as a potential market for investment.

He acknowledged that Pakistan's law and order has improved and the country's economy has also stabilised. Mr Isomura said that already many Japanese companies have landed and started operating and more are on their way to bring fresh investment in Pakistan.

https://www.dawn.com/news/1308894/majority-of-abc-members-keen-to-invest-in-pakistan

PAKISTAN WILL SUFFER WHEN US INTEREST RATES RISE
The Express Tribune, January 18th, 2017.

Shahbaz Rana

Davos, Switzerland: Any further increase in interest rates by the US Federal Reserve would lead to an appreciation in the value of the US currency, which would carry adverse implications for developing countries including those that have heavily obtained foreign loans, say global experts.

The world is entering a very chaotic period, as any further increase in US interest rates and cut in taxes by the upcoming Donald Trump administration would sharply appreciate the US greenback, said Li Daokui, Dean, Schwarzman College, Tsinghua University, China. He was speaking at the World Economic Forum's session on 'Monetary Policy: Where Will Things Land'.

Other speakers also highlighted similar concerns while arguing that strong US currency was not a good omen for developing nations, particularly those relying on foreign debt to run their economies.

Pakistan is among those countries that have sharply increased reliance on foreign loans after their inflows started slowing down due to problems at home and abroad.

In December last year the US Federal Reserve increased the key policy rate by 25 basis points after years of low rates. There are anticipations that the US would increase the rates again in the current year.

However, Anthony Scaramucci, the Director of the Office of Public Liaison and Intergovernmental Affairs of the upcoming Trump administration, said that the US was still not on the interest normalisation path. He said that interest rates were still at the lowest historical level, adding that the strength of the US dollar would determine the interest rate path.

Scaramucci said that even if the interest rate rises there are strong chances that the US economy would grow to change in economic policies by the new administration in the White House. He said that the Trump administration would want to have an independent Federal Reserve.

Scaramucci said that 97% of the population did not benefit from the economic recovery while the rest 3% were back to where they were before the Global Recession hit the world in 2007.

Carmen Reinhart, Professor of the International Financial System at Harvard Kennedy School, USA, said that the dollar appreciation may lead to serious problem in highly dollar-denominated indebted countries.

Li Daokui said that the Euro has weakened, Chinese currency is facing challenges and Japan has its own problems. He said that in the present day world the US dollar was more important than eight years ago. His apprehensions were that the US Federal Reserve was not realising this and taking decisions which were contrary to global growth.

Thomas Jordan, Chairman of the Governing Board, Swiss National Bank said that the expectations from the monetary policy were too big to be achieved.

David Ruberstein, co-founder and co-chief executive officer of Carlyle Group of the USA, said that some kind of intervention was required to stop dollar from becoming stronger. He said that the corporate sector in the developing countries has $4.5 trillion debt that will have implications if the greenback becomes stronger.

Li Daokui said that due to the US policies the funds were flowing back to the US, adding that from only China $500 billion to $600 billion were flowing to the US. He said that in his view the increase in monetary policy would not help achieve the objectives.

http://tribune.com.pk/story/1298592/pakistan-will-suffer-us-interest-rates-rise

PM, SWISS PRESIDENT FOR EXPANDING ECONOMIC TIES
Dawn, January 19th, 2017

DAVOS: Prime Minister Nawaz Sharif and Switzerland's President Doris Leuthard on Wednesday stressed the need for exploring new avenues of cooperation and strengthening bilateral relations.

The two leaders made these observations during a meeting on the sidelines of the World Economic Forum's annual meeting here.

The prime minister informed the Swiss president that Pakistan deeply valued its relations with Switzerland and looked forward to enhancing bilateral partnership in diverse areas.

Terming Switzerland a friend and an important trade and investment partner of Pakistan, he lauded the country's objective, non-discriminatory and criteria-based approach on the issue of Nuclear Suppliers Group (NSG) membership.

"We hope that as part of the NSG troika, Switzerland would continue to maintain this principled stand, especially when it takes over the chair of the group later this year," the prime minister said.

The Swiss president said her county's stance on the issue of NSG was non-discriminatory and based on principles. Prime Minister Sharif said Pakistan wanted peaceful and amicable resolution of all outstanding issues with India.

He praised efforts of the Swiss-Asian Chamber of Commerce, Swiss Global Enterprise (SGE) and Swiss Business Council (SBC) for introducing Pakistan to the country's business houses, especially small and medium enterprises.

He also thanked the Swiss government for offering postgraduate scholarships to students from Pakistan at various public universities. The Swiss president said that despite challenges faced by Pakistan, her government was happy to see fast progress made by the country in economy.

She said Swiss companies were willing to work in Pakistan and her government was also willing to join hydroelectric power projects.

Switzerland currently ranks fifth in terms of Foreign Direct Investment (FDI) in Pakistan. It has traditionally run a trade surplus with Pakistan and has been one of the country's biggest direct investors for several years.

Many Swiss companies operate in Pakistan, some with their own production sites. These firms are mainly based in Karachi and employ around 12,000 people.

WEF chairman: The prime minister also held a meeting with WEF Chairman Klaus Schwab and briefed him on his economic agenda and vision for a progressive Pakistan.

Mr Schwab praised the progress of Pakistan on the economic front and also shared his feedback about the country after meeting various business leaders.

He informed the prime minister that the business leaders considered Pakistan a great investment destination.

He appreciated progress of Pakistan in the infrastructure sector and said the country was now ready to lead the regional connectivity initiative with Central Asia.

He said Pakistan was now attracting business groups from abroad, owing to improved security and improvement in the energy sectors.

During a meeting with Group Chief Executive Officer of Standard Chartered Bank Jose Vinals, Mr Sharif said Pakistan was now the new attractive destination for foreign investors and it offered security and attractive returns.

Mr Vinals said that profile of Pakistan had gone up significantly and added that its economic matrix was moving in the right direction.

https://www.dawn.com/news/1309311/pm-swiss-president-for-expanding-economic-ties

PAKISTAN IS IDEAL FOR INVESTMENT, PM TELLS ENTREPRENEURS
Dawn, January 20th, 2017

DAVOS: Pakistan is on the track of sustainable growth and is “ready to do business with the world”, Prime Minister Nawaz Sharif said on late Wednesday.

In his address to leading businessmen at a dinner hosted by Abraaj Group on the sidelines of the 47th World Economic Forum (WEF), he said, “Offering attractive investment policies, Pakistan is a destination that no global player can miss. I invite you to take benefit from the economic revival of Pakistan and enjoy the first mover’s advantage.”

Stressing on the need for collaboration and cooperation, he said, “Without peace and stability, development remains an elusive dream.”

He mentioned that Pakistan’s Vision 2025 served as a comprehensive strategy for achieving sustainable growth and mapped the country to join the top 25 economies in the world leading to Upper Middle Income country status by 2025.

He said the economy was targeted to grow over 8 per cent between 2018 and 2025 while maintaining single digit inflation.

The PM told the businessmen there was no minimum requirement for the amount of foreign equity, investment or upper limit on the share of foreign equity allowed except in the airline, banking, agriculture and media sectors and foreign companies were allowed to repatriate 100 per cent profits.

The prime minister highlighted that Pakistan was the fourth largest milk producing country with third largest livestock population in the world.

The recent decision of Dutch leaders to invest $460 million in Pakistan’s food and dairy sector is a testament of our potential, he stressed.

He said the China Pakistan Economic Corridor (CPEC) was a key regional initiative for connectivity and shared prosperity of nations.

Investors at the event spoke highly of Pakistan’s successful economic policies.

Managing Partner of Abraaj Group Mustafa al Wadood said his company had invested over $700m in financial, consumer and energy sectors.

Michael Renee of McKinsey and Company praised Pakistan’s stable economic policies and said improved security was now a big attraction for foreign investors.

Citibank Vice President Jay Collins said his bank was proud to be amongst the top banks serving Pakistan’s public and private sector. He said the bank raised $2.5bn worth of strategic transactions for Pakistan and the foreign companies.

Nitin Paranjpe, president of Unilever’s Home Care business, said his company has built a large business base in Pakistan and will continue with its commitment.

Arif Naqvi, CEO of Abraaj Group said Pakistan was a country that was on the move and offered fantastic potential.

Pakistan, Norway to focus on trade

Meeting with Norwegian Prime Minister Erna Solberg on the sidelines of WEF, Prime Minister Nawaz Sharif said Pakistan greatly valued its relations with Norway.

He apprised the Norwegian premier of his government's focus on trade and economic cooperation, rather than aid. The Norwegian premier appreciated Pakistan's economic revival.

On the occasion, PM Sharif extended an invitation to the Norwegian premier to visit Pakistan.

Incentives for investors

Pakistan has devised a comprehensive plan to create an investment friendly environment and is liberalising its policies to welcome foreign entrepreneurs, PM Sharif said on Thursday.

He was talking to heads of top ranking companies at a roundtable on the sidelines of WEF.

"We offer incentives to attract new capital inflows, including tax exemptions, tariff reductions, infrastructure, and investor facilitation services," the prime minister said.

The chief executive officers present at the roundtable included Japan Bank for International Cooperation's CEO and Executive Managing Director Tadashi Maeda, Ingredion Incorporated USA's CEO and Chairman Ilele Gordon, Koc Holding Turkey's CEO Levent Cakiroglu,

Telenor Group's President and CEO Sigve Brekke, Nestle Asia's Executive Vice President Wan Ling Novartis AG's Head Public Affairs Petra Lox, Swiss Re Management Ltd's Global Partnerships Chairman Martyn Parker.

https://www.dawn.com/news/1309554/pakistan-is-ideal-for-investment-pm-tells-entrepreneurs

DEVELOPING ECONOMIES COULD SEE SLOWER-THAN-EXPECTED GROWTH IN 2017
The Express Tribune, January 21st, 2017.

Shahbaz Rana

Published: January 21, 2017

Davos, Switzerland: The prospects of global economic growth are better this year, the developing countries would grow at a slower-than-expected pace due to the withdrawal of high-denomination banknotes by India and spillover effects of US politics on Mexico, said Managing Director of the IMF, Christine Lagarde, Friday.

This is for the first time in recent years that the IMF has not revised the Gross Domestic Product growth rate downward, which is expected to remain at 3.4% in 2017, said Lagarde while speaking at a session on Global Economic Outlook. The session was arranged on the last day of the annual World Economic Forum Meeting.

Chancellor of the Exchequer of the UK, Finance Minister of Germany, Governor, Bank of Japan and Chief Executive Officer of the Blackrock USA also spoke on the occasion.

Global economic growth numbers are looking better this year than in the previous years, said Lagarde. She said that Japan and European Union economies were doing better and forecast for the US economy has also been upward revised.

However, growth forecast for emerging markets has been revised slightly downward, she added. The Indian economy will grow at less than earlier estimates due to negative effects of the withdrawal of banknotes on its economy, said the MD.

Last year, Indian Prime Minister Narendra Modi announced to withdraw large denomination banknotes, a move aimed as a crackdown against tax evasion.

She said that spillover effects of US politics on Mexico economy was another reason for downward revision of developing economies.

The IMF MD said that there was still some ambiguity over the implications of the anticipated trade measures that new US President Donald Trump announced during his election campaign. She said that a combination of trade restrictions and a tax package would not be good for the global economy.

The IMF MD said that the high possibility of strengthening of the US dollar will have implications for the companies that have borrowed in dollars.

Laurence D Fink, CEO of Blackrock, USA, said that trade restrictions by the new US administration would be an attack on those who have voted for Trump. He said any restriction on trade would carry implications for the US and global economy. He said some of the policies of the new administration would strengthen the US currency that will also have implications. We are going to live in a world of a strong dollar, he added.

Wolfgard Schäuble, the Finance Minister of Germany, said that the Eurozone was doing better now in terms of fiscal and monetary policies. However, he said that elections in some EU countries were important in terms of long-term stability. The finance minister said that consumer demand was also high compared with the previous years.

Phillip Hammond, the Chancellor of the Exchequer of the UK, said that the EU would likely to remain the largest trading partner of the UK after Brexit. He hoped that EU countries would avail highly efficient financial markets of the UK. The Chancellor made it clear that the UK was closed for unskilled workers after the Brexit.

He said that no system would be introduced to cut off the flow of skilled manpower and graduates coming to take degree courses in high ranking UK universities. He maintained that the UK would not accept the principal of free movement of people.

Governor of Bank of Japan, Haruhiko Kuroda, said that in Japan the unemployment rate has come down while core Inflation has become stable. However, he said that the companies were reluctant to increase wages even after increase in their profits and Japan will have to work on this area to achieve its economic targets.

http://tribune.com.pk/story/1302105/outlook-2017-developing-economies-see-slower-expected-growth/

NEWS COVERAGE PERIOD FROM JANUARY 9TH TO JANUARY 15TH 2017
CONTRASTING TRENDS IN PAKISTAN'S ECONOMY
The Express Tribune, January 9th, 2017.

Ikram Hoti

ISLAMABAD: Exports are going down whereas stocks are repeatedly breaking all-time high records on the KSE 100-share Index. Does this contrasting situation worrisome for the observers of Pakistan's economy? Many wonder how this is happening simultaneously.

The factors that leave an impact on exports and stocks differ from each other. Exports mostly bank on the demand and supply of goods as well as the cost of production. However, equities rely on varying factors such as money-parking trend, prices of gold and real estate that are alternative investment avenues, investment deals in certain sectors and political situation at home and overseas.

Exports are impacted by economic, foreign and tax policies that drive the quality, volume and demand for the country's products.

Apart from K-Electric deal with a Chinese company and Engro Foods' acquisition by a Dutch firm, no significant foreign investment has come to Pakistan over the past many years. Also needs a mention is the winning of bids by a Chinese consortium for a 40% strategic stake in the Pakistan Stock Exchange.

Specific stocks have taken a flight with a push from such investments and have driven a rally in the overall market. Export goods producing lines have, however, not got such a boost for years. The rusting production processes cannot be improved in the absence of hefty capital, better technology, techniques and workforce.

The failure to make improvements and remove hurdles in the way of production and marketing, along with the threat of terrorism, which has now subsided considerably, has long prevented the flow of export orders from the best global destinations and has harmed the overall economy.

While the government failed to do something meaningful in relation to the foreign policy and economic regulations, the China-Pakistan Economic Corridor (CPEC) project emerged as a major incentive for the national economy.

Before it could spark a wave of industrialisation, joint ventures and higher exports, it gave a welcome fillip to the stock market. Earlier, most of the free floating capital was being parked in gold and property. This money could not be attracted by banks and industrialists desirous of pouring capital into the production processes.

A deeper look at profiles of companies whose stocks have done well, however, shows no significant efforts to make improvement and boost their share in the production of goods.

A major group of players in this scenario is the one that is shy of investing in the production processes but keeps large piles of cash for profit-making.

The sentiment-based stock movement helped by such cash is not an encouraging sign as there is always the threat of bubble being burst. But this money flow hardly finds other investment avenues.

This is a cause for worry in a country that fails to win export orders on account of poor industrial progress and still uncertain law and order, which are direct consequences of the country's domestic and foreign policies.

Talk to exporters who will often complain about the Federal Board of Revenue (FBR) for withholding their tax refunds. They are not able to borrow export-boosting capital from banks at a high mark-up and also could not attract market partners when their own money is stuck with tax authorities.

In this situation, they cannot think of being competitive in the global market by adopting state-of-the-art technology and trained workforce.

Exports are a major source of foreign currency earnings. They can be improved through better-quality products, innovation, exploring new markets, outreach to buyers and financiers.

What is the government doing in such a scenario? Is this not a panic situation as foreign exchange earned via exports provides the backbone for making repayments both on the micro and macro scales?

Has the government reprimanded the FBR for holding back the tax refunds? Does it talk about assisting the balancing, modernisation and replacement (BMR) programme for export goods industries? Are any efforts under way to bring down the mark-up on bank borrowings?

Nothing of this sort seems to be happening. So, how can Pakistan's exporters hope of getting out of the quagmire in which they are sinking deeper?

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/1288527/perplexing-contrasting-trends-pakistans-economy/

THE WHEELS OF SOCIAL AND ECONOMIC CHANGE
The Express Tribune, January 9th, 2017.

Tehreem Husain

Recent news of China's rail-freight service to Britain has caught global attention and brought railways as a source of transportation back into the limelight. The train will cover more than 12,000 km (7,500 miles) and pass through 14 European cities before reaching London in a passage of 18 days.

The freight train not only offers a cheaper means of transport but is also time efficient since the current sea route between East Asia and China takes almost 30 days.

This project is part of Chinese President Xi Jinping's 'One Belt, One Road' initiative to create a modern Silk Road to boost commercial ties across Europe, Asia, Africa and the Middle East. China has increasingly invested in the transportation sector – having invested about $232 billion over 2005-16 globally. A look back in history tells us that almost 150 years earlier Britain was heavily involved in investment and construction of railways around the globe.

Early railway history involved tracks made of stone or wood and can be traced to the early Greeks. With technological advancement, mechanised rail transport systems were invented and first appeared in England in the 1820s. These systems which made use of the steam locomotive were crucial in the age of Industrial Revolution and played an important role in the development of export economies across the globe.

The growth of railways in Britain alone in the nineteenth century can be judged from the fact that railway tracks covered 98 miles in 1830 which grew to a whopping 10, 433 miles by 1860. This was also the time in which railways in America and other European powers such France and Germany were developed.

The UK capital market underwent a major transformation during this time with large capital intensive companies raising equity from arm's length investors. This resulted in an increase in the value and number of companies listed on the London Stock Exchange and beyond London too (Turner, 2016)

Global development of railways was happening along growth and advancement of other industries such as banking and finance. European countries such as Britain, France and Germany having a surplus of savings were looking for territories and industries around the world for better investment opportunities. These investment flows led to financial development and capital deepening in emerging market nations of that era primarily through investment in infrastructure.

Infrastructure investment in railways in colonies also took place in Britain's colonial empire. Railways in Canada were initiated by building the Grand Trunk Railway in 1853. In the same year, commercial train journeys had commenced in India – the first commercial train was between Bombay and Thane by the Great Indian Peninsular Railway.

India provided a fertile ground for providing key raw material for industrial towns in Britain. However, a complete transportation network was needed to be laid out to bring it from the place of harvest to the port city. This resulted in the construction of routes across India and the rise of cities serving as ports such as Karachi. The first railway line for public traffic was laid out in the city on May 13, 1861 between Karachi City and Kotri.

Different sections on existing main line from Peshawar to Lahore and Multan and branch lines were constructed in the last quarter of 19th century and early years of the 20th century. Network expansion in India was most rapid between 1860 and 1880 and by 1909 India had the fourth largest railway network around the globe.

Besides road infrastructure, railways are also a component of the China-Pakistan Economic Corridor (CPEC). Recently, two strategically important $10 billion projects were cleared for upgrading a mainline of the Pakistan Railways to smoothen CPEC related traffic. The current rail system needs a major overhaul and CPEC provides investment funds for upgrading and modernising the existing infrastructure.

Railways have played a huge role in boosting the economies, both direct and indirect. It reduces transportation costs bringing markets and people close together. It also has indirect benefits through creation of economic activity in backward-linkage industries such as engineering, construction, coal mining and iron production. Tony Judt, late professor at NYU in one of his essays for the New York Review of books has rightly said, "No other industry has wrought or facilitated change on the scale that has been brought about by the invention and adoption of the railway."

http://tribune.com.pk/story/1288536/wheels-social-economic-change/

DAR REVIEWS TECH INITIATIVES IN BANKING SECTOR
Dawn, January 12th, 2017

ISLAMABAD: Finance Minister Ishaq Dar on Wednesday reviewed new technological trends and reforms initiatives in the banking and financial sectors.

During a meeting, Governor State Bank (SBP), Ashraf Mehmood Wathra updated the finance minister regarding the banking sector of Pakistan.

The finance minister was apprised on the recent development in private credit and agriculture sectors growth automation in currency distribution by central and commercial banks.

Key economic indicators also came under discussion which demonstrated a stable trend.

https://www.dawn.com/news/1307813/dar-reviews-tech-initiatives-in-banking-sector

WORLD BANK SEES HIGHER 2017 GLOBAL GROWTH, UNCERTAINTY OVER US POLICY
Dawn, January 12th, 2017

WASHINGTON: The World Bank on Tuesday said global growth would accelerate slightly as recovering oil and commodity prices ease pressures on emerging-market commodity exporters and painful recessions in Brazil and Russia come to an end.

In its latest Global Economic Prospects report, the multilateral lender said it expected 2017 real gross domestic product growth to rebound to 2.7 per cent from a post-financial crisis low of 2.3pc last year.

Growth in advanced economies is expected to edge up to 1.8pc in 2017 from 1.6pc in 2016, the World Bank said, while emerging and developing economies will see growth accelerate to 4.2pc this year from 3.4pc last year.

"After years of disappointing global growth, we are encouraged to see stronger economic prospects on the horizon," World Bank Group President Jim Yong Kim said in a statement. "Now is the time to take advantage of this momentum and increase investments in infrastructure and people."

However, there was considerable uncertainty surrounding the forecasts, which did not incorporate the effects of various policy proposals from US President-elect Donald Trump, which are expected to include increased fiscal stimulus from tax cuts and infrastructure spending, and a more protectionist trade stance.

The World Bank forecasts 2017 US growth at 2.2pc versus 1.6pc in 2016, but the increase could be considerably larger — and have effects far beyond US shores.

"A surge in US growth — whether due to expansionary fiscal policies or other reasons — could provide a significant boost to the global economy," the bank said.

However, this could lead to higher interest rates and tighter financial conditions that would have adverse effects on some emerging market countries that depend heavily on external financing.

It added that lingering uncertainty over the course of US economic policy could weigh on global growth by keeping investment money on the sidelines until there is more policy clarity.

The World Bank said China's growth would continue to slow, easing to 6.5pc in 2017 from 6.7pc in 2016, but growth would edge higher in some Southeast Asian economies, including Indonesia and Thailand.

India's strong growth is expected to accelerate, rising to 7.6pc in 2017 from 7pc in 2016 as reforms ease domestic supply bottlenecks and increase productivity.

https://www.dawn.com/news/1307812/world-bank-sees-higher-2017-global-growth-uncertainty-over-us-policy

NEWS COVERAGE PERIOD FROM JANUARY 2ND TO JANUARY 8TH 2017
CONSUMER PRICE INDEX: PACE OF INFLATION FALLS TO 3.7% IN DEC
The Express Tribune, January 3rd, 2017.

Shahbaz Rana

ISLAMABAD: The annual inflation rate remained subdued in December, falling further to 3.7% primarily due to a seasonal reduction in prices of items in the food basket, Pakistan Bureau of Statistics (PBS) reported Monday.

The annual inflation rate measured by the Consumer Price Index (CPI) – which captures prices of 481 commodities in urban centres – was registered at 3.7% in December compared to the same month of the previous year, reported the PBS.

The main reason behind the fall was reduction in prices of both perishable and non-perishable food items and transport fare. Due to the same reasons, the monthly inflation rate decelerated to negative 0.7% last month over November.

It was the second consecutive month that the pace of annual inflation slowed after increasing for five straight months.

Core inflation – measured by excluding energy and food items, which had started picking momentum also – slightly decelerated to 5.2% last month. It was for the first time in half a year that the rate of increase in core inflation was lower than the previous month, showed the PBS data.

In its November 2016 Monetary Policy announcement, the Monetary Policy Committee decided to maintain the policy rate at 5.75%, while beating expectations of increase in rates after surge in core inflation in previous months.

However, in previous months investors had gotten an impression from some of the central bank's comments that the State Bank of Pakistan (SBP) may jack up its key policy rate – the rate at which it lends money to the commercial banks.

In an anticipation of increase in rates, commercial banks have stopped investing in the government's long-term Pakistan Investment Bonds (PIBs), forcing the government to start relying on six-month market treasury bills to raise funds for budget financing.

On monthly basis, the prices of perishable food items dropped 2.26% while perishable food items rated decreased 0.6%. On an annual basis, there was only 2.43% increase in price of non-perishable food items.

The average inflation during the first half (July-December) of this fiscal year remained at 3.9%, according to the PBS. For fiscal year 2016-17, the government has set the inflation target at 6% while the IMF and SBP projections are below the target level.

"We expect average CPI inflation in fiscal year 2017 to remain lower than the target of 6% set by the government," wrote the central bank in its first quarter report on the state of Pakistan's economy. However, it said that the SBP would monitor global and regional developments closely to remain prudent in its monetary stance.

The quarterly report highlights two key developments for the purpose of inflation forecast. The SBP said that the government's decision to end the 7-month long spell of stability in petrol prices in the country was one of two key determining factors. The federal government allowed an increase of Rs2 per liter, effective from 1st December 2016, although it again left the prices unchanged for first half of January.

The government's decision to switch back to fortnightly price determination shows its intentions about passing on the impact of increase in petroleum products prices in the global market to the domestic consumers.

The central bank noted that on the global front, the OPEC was able to strike an agreement to cut crude production – for the first time in 8 years. Just the signal that this cartel – which controls over a third of the global crude – is alive, was enough to send jitters across the commodity market; price of Saudi Arabian Light oil increased by over 9%, right after the announcement, it added.

The SBP report stated that the impact on Pakistan's CPI inflation will be influenced by when, and how much of the increase in global prices the government is willing to pass on to consumers.

http://tribune.com.pk/story/1282151/consumer-price-index-pace-inflation-falls-3-7-dec/

GOVERNMENT SATISFIED WITH ECONOMIC INDICATORS
Business Recorder, January 03, 2017
Finance Minister Ishaq Dar chaired a meeting Monday to review the economic performance in the six months ended 31st December 2016. The Finance Minister noted that GDP growth appears to be on upward trajectory and inflation was steady below 4 percent in December 2016 while average inflation during July-December 2016 was recorded at 3.88 percent, reflecting continued price stability.

The Finance Minister noted the FBR performance at around 7 percent for the six month period ended in December 2016, reflecting catching up of the shortfall experienced in the initial months, largely on account of giving relief to consumers on petroleum prices together with sales tax refunds of Rs 45 billions. On the expenditure side, the performance was on track as expenditure was allowed in a prudent manner in accordance with budget, and keeping in view the revenue growth.

The Finance Minister, while expressing satisfaction on recent economic performance, noted that economic activities are picking up, investments are taking place, particularly in the CPEC-related projects which would further accelerate after the recent understanding with Chinese authorities to further expand the scope of the CPEC by including water security, Karachi Circular Railway, mass transit programme for Balochistan, projects for Khyber Pakhtunkhawa, and rehabilitation of Railways-related project. He further remarked that going forward, Pakistan would experience rising growth and creation of more job opportunities.

The meeting was attended by the Finance Secretary and senior officials of the Ministry of Finance.-PR

http://www.brecorder.com/top-stories/0:/119427:government-satisfied-with-economic-indicators/?date=2017-01-03

GINNERS FEAR INDIAN COTTON IMPORTS WILL IMPERIL PAKISTAN'S ECONOMY
The Express Tribune, January 7th, 2017.

Owais Qarni

Multan: The cotton ginning industry has fiercely opposed duty-free import of Indian cotton, saying it will have destructive effects on Pakistan's economy.

Speaking at a press conference on Friday, Pakistan Cotton Ginners Association (PCGA) Senior Vice Chairman Suhail Mehmood Haral, Ginners Group Chairman Haji Muhammad Akram and former PCGA chairman Shehzad Ali Khan revealed that more than 2 million bales of cotton were lying unsold in ginning factories, which textile millers were reluctant to purchase.

Another 700,000 bales are expected next month. They saw no justification for lifting an undeclared ban on cotton import from India at the cost of Pakistan's farmers, arguing fibre import via land or sea was not in the interest of national economy.

They underlined the need for continuing the restrictions on cotton imports through the Wagah border crossing and Karachi seaport.

Farmers have also aired concern over the removal of curbs from cotton import from India, which would imperil the domestic industry.

They demanded that the government ensure crop purchase at reasonable prices from the country's growers. They were expecting a bumper crop this year, but feared that imports from India would hit the local growers hard.

They decried that the government did not fix the support price for cotton, leaving them at the mercy of textile millers, who would buy the fibre at their desired rates.

Ginners Group Chairman Haji Muhammad Akram asked the government to slap a complete ban on cotton imports from India via Wagah border.

If such imports continued without any curbs, he believed, they would harm cotton production in the country in the next season.

Last year, cotton harvest had dropped 30% and if appropriate measures were not taken, the situation could deteriorate further and affect local output.

Former PCGA chairman Shehzad Ali Khan disclosed that 530,000 bales of cotton had so far been imported from India through the Wagah crossing.

Players of the ginning industry, however, praised efforts of Federal Minister of National Food Security and Research Sikandar Hayat Khan Bosan, who was endeavouring to bring down the cost of cotton production.

He was of the view that the production cost was higher than the prices farmers were receiving for their harvest. The high cost was one of the reasons behind the decline in cotton production, he added.

http://tribune.com.pk/story/1286874/ginners-fear-indian-cotton-imports-will-imperil-pakistans-economy/

February 2017

NEWS COVERAGE PERIOD FROM FEBRUARY 20TH TO FEBRUARY 26TH 2017

AN UNDERVALUED ECONOMY

Dawn, February 20th, 2017

Rashid Amjad

THE voices telling us that Pakistan stands on the threshold of a major economic upturn are growing louder. Be it PricewaterhouseCoopers or Bloomberg, scores of renowned economic analysts are pointing to Pakistan as a country where there is money to be made.

Do forgive the ordinary, already troubled Pakistani who is bewildered by all this news. The country has just managed to complete a stringent IMF programme, finally hoping that, with a semblance of macroeconomic stability restored, economic growth might pick up from its dismal low of three to four per cent over the last decade. Decent jobs are scarce. Child malnutrition is rampant. Yet here we are, evidently sitting on a goldmine unawares!

What is being said of the economy's prospects is not without merit. The fact remains that Pakistan is, today, a grossly undervalued economy — a view put forward not just by many analysts, but also by a growing number of foreign and domestic investors in search of opportunities to earn high profits in an otherwise anaemic global economy.

What, then, is an 'undervalued' economy? Why and when did Pakistan become one? Most important, why the sudden interest in taking advantage of the situation?

An undervalued economy is one that generates high returns primarily because its assets are considerably undervalued. To give some concrete examples, Pakistan's stock market would be classified as 'undervalued' because, even after accounting for the KSE index having grown by leaps and bounds, the returns on stocks and shares are abnormally high even in relation to their substantially appreciated market value. Similarly, the dollar value of the housing and real estate markets (despite some slumps) has grown faster than that of properties purchased in Dubai or most parts of the world. Our visiting neighbours from New Delhi are amazed at how relatively low house prices are in Lahore.

As to the second question of why this situation persists — not just for selected sectors, but for a large part of the economy — the answer has two parts. The first is that the undervaluation of our assets or capital stock is primarily a result of non-economic factors. The second is that, despite the economy's weak performance, it still generates high profits or returns on investment.

Let us examine the first point. Over the last 30 years, the economy has underperformed grossly, at half its earlier growth rate. There are different explanations for this prolonged slowdown, ranging from poor economic management, IMF adjustment programmes that did not work, rampant corruption and, most important, the lack of political will to undertake fundamental structural reforms that could make the economy more competitive.

Yet, underlying these factors was a deeper malaise: the gradual erosion of investors' confidence. This was triggered initially by the aftermath of the Soviet invasion of Afghanistan and the civil war that followed in the 1990s. Most important, post-9/11, terrorist attacks spilled over into Pakistan and the security situation became extremely fragile. A combination of deteriorating national security as well as policies adopted in the 1980s pulled the city of Karachi — the nerve-centre of Pakistan's economy — into chaos. Investor confidence nosedived. Overall investment levels fell sharply.

What has now led investors' confidence to turn around? Again, there is no dearth of contenders, although one must admit that prudent economic management has, together with the decline in oil prices, helped restore macroeconomic stability. But only the very optimistic investor would pin their hopes on this factor alone, given Pakistan's history of stop-go economic cycles.

The real reason for this turnaround (even after accounting for CPEC) is that Pakistan's most powerful institution, which has a decisive say in running the country, chose to concentrate on restoring internal security and taking on all such militant forces — including those that were, earlier, viewed differently. Additionally, the determination of the military leadership that launched this operation and the resolve of the new leadership that has taken over have, to a large measure, sparked this turnaround in investors' confidence.

Let us now turn to explaining the high returns or profits the economy continues to generate — on average, between 10pc and 15pc, which many businesspersons would consider to be on the low side. Here, the task is made more difficult as official data sources do not capture either the true size of the economy or movements of key economic variables.

Part of this economic dynamism can be explained by the working of the informal economy, most of which remains undocumented. While large investors shied away, smaller (and sharper) investors stepped into the breach, bent on exploiting a market where others feared to tread.

A central factor has been the flow of remittances, which have increased from $1.5 billion in 2000 to around $18bn in 2016. This represents about 7pc to 8pc of Pakistan's GDP. The other factor has been a fast-growing population and the rapid urbanisation and growth of mega cities and services.

It is these economic forces and the prospects of high returns that eagle-eyed investors (both domestic and foreign) are viewing with increasing interest. To ensure that the benefits of this investment are enjoyed by local firms and translate into more and better jobs and pro-poor economic growth will need appropriate policies and prudent economic management. The key lesson is this: to realise the benefits of an undervalued economy will require an unrelenting commitment to, and action by, both the military and the government at all levels to continue improving the security situation.

https://www.dawn.com/news/1315749

FACILITY OF GSP PLUS TO REMAIN INTACT BY DEC 31, 2023: DASTGIR
Business Recorder, Feb 20th, 2017

Faisalabad: Federal Minister for Commerce Engineer Khurram Dastgir on Monday said the facility of GSP plus granted to Pakistan by European Union would remain intact by December 31, 2023, so Pakistani exporters should fully concentrate on enhancing their exports to the potential markets of EU countries.

Addressing a function in Faisalabad Chamber of Commerce and Industry (FCCI), he termed Faisalabad as the engine for the progress and prosperity of Pakistan and said some elements were expressing undue apprehensions about the disruption of GSP Plus facility.

He said mid-term review of GSP plus was also scheduled during next year but it did not mean that this facility was being withdrawn. He said, "There is a huge untapped potential to increase trade with eastern EU countries and hence we should fully exploit these available opportunities."

The federal minister said the present government had privilege to recruit 13 commercial officers purely on merit basis who had been deputed in various potential countries and the business community should remain in touch with them to fully avail from their expertise.

He said the exporters must remain in contact with them while travelling to these countries.

He told that few months back he was in Brussels to attend a meeting regarding GSP Plus. During this visit he also chaired a two-day conference of commercial officers deputed in European Union and added that they also responded to the questions asked by representatives of various associations of Karachi on Skype. He said such meeting could also be arranged for FCCI.

“Pakistan has inked Free Trade Agreements with China, Malaysia, Sri Lanka and Indonesia which are underutilized,” he said and added that the business community should fully exploit these FTAs and he was ready to depute commercial officer from TDAP or from his ministry to guide them in this respect.

Khurram Dastgir said the situation had improved in Pakistan as compared to 2013. “We are going to establish a banking system with Iran within next couple of weeks which will open new opportunities for the Pakistani businessmen.” He said the federal government had already approved this proposal and work on it would be started as soon as it was signed by the concerned authorities.

He said the Prime Minister had successfully made breakthrough in five major fields including restoration of peace, stability in the financial affairs of the government, stability in foreign reserves, switching over to historically lowest interest rate and resolving energy crisis. He hoped that 2017 would be the best year for the economy of Pakistan.

He further said the prices of electricity and gas would start decreasing during this year while the construction of motorway up to Karachi would ensure safe and secure connectivity between all parts of the country.

He said international flights had already started from the airports of Faisalabad, Multan and Sialkot. Similarly, the stability in the democratic system was yet another achievement of this government, he said and added, “Now we are in a position to request foreign countries that have issued travel advisories to withdraw it as such directives are not feasible in the prevailing circumstances.”

He asked the businessmen to submit their proposals specifically for the export oriented industry through which the surcharge of Rs. 3.4 could be eliminated for the exporters.

Regarding Rs 180 billion textile package, he said the government was not restricted to this amount. “We are ready to pay them much more incentives up to Rs 360 billion provided exporters play their role in doubling their exports.”

He further clarified the subsidy would be for total export proceeds made up to June 30, 2017. He said in this connection after the approval of government the State Bank had issued a circular however he would try to adopt a system for the payment of subsidy on quarterly basis from next year.

About the payment of refund cases Khurram Dastgir said the government had paid refund amounting to 50 billion. He would request the PM to pay yet another big traunch within next few months, he said and intended that all pending refund cases should be disposed of positively before the announcement of next year budget.

Regarding duty on cotton yarn, he said he would review these issues in a scheduled meeting of Pakistan Textile Board. About Faisalabad Expo Center, he said that funds from EDF would be released as soon as the land was transferred to the construction company.

Earlier, President Faisalabad Chamber of Commerce and Industry Engineer Muhammad Saeed Sheikh presented his address of welcome and underlined various issues faced by the business community of Faisalabad.

A question answer session was also held in which Chaudhry Muhammad Nawaz, M Ismael, Dr. Khurram Tariq, Mian Imtiaz Ahmad and Mujtaba Hasan participated.

Later, President FCCI presented FCCI shield to the Federal Minister while VP Engineer Ahmad Hasan offered vote of thanks

http://www.brecorder.com/2017/02/20/337474

PAKISTAN IMPROVES ON WORLD BANK'S LOGISTICS INDEX
The Express Tribune, February 25th, 2017.

Shahram Haq

LAHORE: It seems that global monitoring agencies have started recognising the infrastructure development taking place in Pakistan, especially in the wake of China-Pakistan Economic Corridor (CPEC).

The World Bank, in its latest report, noted that Pakistan had successfully managed to strengthen its position in the Logistics Performance Index (LPI) for 2016. It put Pakistan at 68th position out of 160 economies. Pakistan managed to advance four places from the 72nd rank in 2014 to 68th place in 2016, by securing a score of 2.92.

Neighbouring India stood at 35th position whereas China was at number 27 in the LPI.

Germany remained the top performer for the second consecutive time. Singapore, which was at the top slot in the 2012 survey, dropped to fifth place in 2016.

While preparing the report, the World Bank analysed key areas like transport infrastructure, logistics quality and competence, basic infrastructure, border management and clearance (customs), tracking and tracing of consignments and international shipments as per schedule.

LPI is an interactive benchmarking tool created to help countries identify the challenges and opportunities they face in their performance in trade logistics and what they can do to make improvements.

LPI 2016 allows for comparisons across 160 countries and is based on a worldwide survey of operators on the ground (global freight forwarders and express carriers), providing feedback on logistics friendliness of the countries in which they operate and those with which they trade.

They combine in-depth knowledge of the countries in which they operate with informed qualitative assessments of other countries where they trade and experience global logistics environment.

LPI consists of both qualitative and quantitative measures and helps build profiles of logistics friendliness for these countries. It measures performance along the logistics supply chain within a country.

The first LPI ranked Pakistan at the same place. The second report launched in 2010 showed a sudden drop to the 110th rank as the country was recovering from the effects of nationwide floods, which ruined the urban infrastructure.

https://tribune.com.pk/story/1338329/pakistan-improves-world-banks-logistics-index/

‘EXPORT TARGET CAN’T BE ACHIEVED UNDER PRESENT ECONOMIC TRENDS’
Business Recorder, 25 February 2017

KARACHI: President of Pakistan Tehreek Insaf (PTI) Balochistan women wing, Fehmida Jamali is not optimistic that Pakistan would be able to achieve exports of $35 billion by 2018, stressing that the global economic slowdown and failure of Trade Development Authority of Pakistan (TDAP) policies would prove to be a big hurdle in the government’s ambitious target.

“I don’t think the export target can be achieved under the present economic trends,” she said.

“If we take a look on figures, total exports were reported at $18 billion between January 2016 and October 2016. This figure is lower than the total exports of $19 billion reported for the corresponding period in 2015,” she said.

Although, the decline in exports is attributed to a global slowdown in demand to some extent, but this trend must be investigated as the export base for Pakistan is not only limited to a few products but is mostly confined to low-valued products that are susceptible to price shocks.

As total of Pakistan exports have declined by more than 12 percent between 2013 and 2015. This decline is disconcerting, particularly as lower oil prices since 2014 were expected to improve the trade deficit. The expected outlook, as reported by the State Bank of Pakistan, for 2016 does not look promising.

In the statement issued on Friday, she said the developed and advanced countries, such as the European Union and the United States, tend to impose higher levels of Non-tariff measures (NTMs) on imports from developing countries, particularly where sub-standard products are prevalent. Therefore, trade policies should ensure that trade obstacles due to NTMs are reduced so that new exporters can participate in international trading activities.

“Fehmida said it is imperative to pursue industrial and trade policies that promote value addition within Pakistan. Such a strategy should involve a focus on the exports of consumer goods to their more important destination markets. This will ensure a reduction in the volatility of exports”.—PR

http://epaper.brecorder.com/2017/02/25/5-page/853298-news.html

‘PAKISTAN’S DEBT: RESPONSE TO FINANCE MINISTER’
This is with reference to an article “Pakistan’s Debt: response to finance minister” dated 17-02-2017 carried by Business Recorder. The said news article used incorrect information to draw misleading

conclusions. – At the outset, the article made incorrect claim with reference to definition of public debt as follows:

— It incorrectly stated public debt definition under Fiscal Responsibility and Debt Limitation Act as federal government domestic and external debt plus debt from IMF and external liabilities. In fact, public debt is defined as the debt of the government (including Federal Government and Provincial Governments) serviced out of consolidated fund and debt owed to the International Monetary Fund in Fiscal Responsibility and Debt Limitation Act;

— The authors used incorrect public debt numbers based on the self-created public debt definition which is neither supported by Fiscal Responsibility and Debt Limitation Act nor by the IMF. Based on the incorrect numbers used in the news article, the authors erroneously stated that public debt to GDP ratio stood at 67.7 percent as at end June, 2016 as compared with 63.6 percent as at end June 2013;

— The Net Debt to GDP ratio as at June 2008 was 53.1percent which had increased to 60.2percent in June 2013 when the present government assumed office. During the period from July 2013 to June 2016, the Net Debt to GDP ratio has remained unchanged at 60.2 percent, thus showing no further deterioration as opposed to false claim that annual increase in debt ratio is higher in the present government tenure. It is worth highlighting here that the net public debt has been calculated in accordance with international best practices and methods used by the IMF as well as various developed and developing countries around the world;

— The limited understanding of the authors with reference to public debt is evident from the fact that they suggested to include contingent liabilities, guaranteed debt, and debt against commodity operations in the public debt. Accordingly, they arrived at hypothetical estimates of public debt to GDP ratio at 73 percent which is neither supported by International Accounting Standard nor by Fiscal Responsibility and Debt Limitation Act. First of all, it is to be noted that Fiscal Responsibility and Debt Limitation Act, 2005 specifies separate thresholds for public debt and contingent liabilities.

Further, International Accounting Standard (IAS) 37 states that the contingent liabilities should not be recognised as liabilities until they are called. Accordingly, contingent liabilities/guaranteesare off-balance sheet items. Further, underlying commodity acts as a security for loans secured against commodity operations which are essentially self-liquidating, thus should not create a liability for the government. Therefore, contentions of the authors in this matter are totally baseless and incorrect.

The news article made a false claim that Pakistan’s foreign debt is presently recorded at $73 billion. The news article referred to total external debt and liabilities of the country which includes debt of other sectors which by definition are not public external debt since the government is not liable to pay these obligations. It includes debt of private sector and banks etc. The external public debt stood at $57.7 billion as at end June, 2016. The clarity regarding this has already been given in the Finance Minister article and at various fora, however, the news article made another deliberate attempt to mislead the public in this matter;

— The news article also made a false claim that external debt is likely to reach well over $ 100 billion by 2020 inclusive of debt taken for CPEC projects. Again, the writers used their own assumptions to arrive at this notional number against which no basis is provided by them. In fact, if the writers have referred to IMF’s latest Staff Report on Pakistan, they would have a better idea that IMF is projecting external public debt at $62 billion by 2020 from its present level of $ 57.7 billion in four years' time indicating annual growth of below 2 percent.

In fact, IMF debt sustainability analysis shows that external debt would remain on a downward trend over the medium term, with the peak in external financing needs under the most stressed scenario (3.7 percent of GDP) staying well below the risk assessment benchmark of 5 percent of GDP. Further, credit rating agencies in their recent reports acknowledged the fact that Pakistan external debt is on sustainable path and there is very little exposure to medium term vulnerabilities.

— The writers took a myopic view of public debt management by quoting few debt numbers related to first five months of current fiscal year. Debt-related indicators should be considered in conjunction with medium-term scenarios as outlined in the MTDS, which allow the analysis of debt sustainability over time and under a variety of alternative assumptions. Therefore, the sole objective of quoting broken period information is to make sensations with the intention to mislead the public;

— The writers claim that external borrowing has increased in the form of Sukuk Bonds and short-term loans from international commercial banks. In fact, commercial loans only accounted for 3 percent of external public debt as at end September, 2016. Even if issuance in international capital markets are considered, the share of commercial borrowing (commercial banks & Eurobonds) accounted for 11 percent of external public debt as at end September, 2016. Further, the news article failed to appreciate the fact that the government successfully priced its Sukuk at the rate of 5.5 percent, the lowest rate ever achieved by the government in the international capital market;

— The writers are of the view that the right strategy for building a buffer of foreign exchange reserves is not through external borrowing but by promoting exports, remittances and FDI and by discouraging non-essential imports. In this regard, it is to be noted:

— Government has taken number of initiatives for the promotion and facilitation of exports. To operationalize the trade policy, a total of Rs 6 billion has been allocated in the budget. Government has also unveiled the Strategic Trade Policy Framework (STPF 2015-18) to promote regional trade and focused on product sophistication and diversification, market access, institutional development and trade facilitation along with a bailout package for export sector to positively impact the textile sector. During December 2016, exports have shown an uptick in growth.

— Similarly, remittances to Pakistan are still healthy if compared with other South Asian countries. The remittances improved by 1.46 percent in January 2017 on YOY. It is also pertinent to mention that development activities under Saudi Arabia's vision 2030, FIFA World Cup 2022 in Qatar, and Expo 2020 in Dubai may create demand for Pakistani workers, which can help increase flow of remittances in the country.

— On the investment front, FDI has been more than double from US$ 0.9 billion in FY15 to US$ 1.9 billion in FY16. During Jul-Jan, FY17 FDI posted a significant growth of 9.9 percent. The CPEC program will further attract foreign direct investment going forward.

— In addition, with the establishment of special economic zones (SEZs) planned under the China-Pakistan Economic Corridor (CPEC), foreign investments are expected to improve further. Pakistan's private sector involvement is also likely to enhance in building the infrastructure of power plants and road network. This would also boost Pakistan's productive capacity and expand the country's export base. As a result, Pakistan will generate incremental foreign exchange to service debt and equity investment.

The above facts clearly establish the fact that views mentioned in the news item regarding the state of public debt management in Pakistan are misleading. The present government has made remarkable gains in reducing debt burden of the country and improved the fiscal and debt sustainability indicators.

http://fp.brecorder.com/2017/02/20170226145133

NEWS COVERAGE PERIOD FROM FEBRUARY 13TH TO FEBRUARY 19TH 2017
PAKISTAN TAPPED WORLD CAPITAL MARKET FOUR TIMES: DAR
Business Recorder, 13 February 2017

LAHORE: Federal Finance Minister Ishaq Dar said on Sunday that Pakistan had successfully tapped international capital market four times since 2014 and each time received overwhelming response.

He was addressing the closing ceremony of "Colours of Indus 2017 Programme" here at the Governor's House.

Punjab Governor, Muhammad Rafique Rajwana and Ali Jamil from Young Presidents' Organisation (YPO) also addressed the ceremony, while YPO delegates were also present.

The federal minister termed the event an excellent way of showcasing rich cultural diversity and abundant opportunities, a growing and developing Pakistan offered to young entrepreneurs.

Business leaders and entrepreneurs should take advantage of attractive business opportunities and investment climate in Pakistan, he added.

Ishaq Dar mentioned that when the PML-N government came to power in 2013, the country was facing challenges of unstable macro-economic situation, GDP growth at only 3 percent, foreign reserves of below $8 billion, spiralling circular debt, crippling energy shortages and fiscal deficit of 8.8 percent.

However, the government under the leadership of Prime Minister Mian Nawaz Sharif set priorities right by focusing on 4 Es including Energy, Economy, Elimination of extremism, and Education.

He said that the country was now backing on the road to macro-economic stability to achieve higher, sustainable and inclusive growth.

Dar said that for the first time, Pakistan successfully completed all 12 reform steps of EFF (Extended Fund Facility) Programme of the International Monetary Fund (IMF), asserting that growth momentum continued to remain above 4 percent for the third year in a row, and the GDP growth was registered 4.71 percent in FY 2016, highest in eight years.

Target for the GDP growth in FY 2017 is around 5.5 percent and 7 percent during FY 2018-19, he added.

International organisations, he mentioned, had also recognised Pakistan's economic turnaround, citing that the IMF had raised its GDP growth forecast for Pakistan for FY 2017 from 4.7 to 5 percent, and projected GDP growth of 5.5 percent, Asian Development Bank (ADB) raised its GDP forecast for 2017 from 4.8 to 5.2 percent, and the World Bank projected 5.2 percent GDP growth in FY 2017 and 5.4 percent in FY 2018.

The Economist also recently ranked Pakistan as the 5th fastest growing global economy as well as the fastest growing Muslim economy, he said.

The federal finance minister asserted that inflation was brought down to less than 3 percent in FY 2016, the lowest in decades, and fiscal deficit reduced from 8.2 to 4.6 percent in FY 2016, while on the revenue side, tax collection increased by 60 percent over last three years and forex reserves were sufficient for over five months of import cover.

Underprivileged segments of society had been main beneficiaries of recent economic progress, he said and cited that the BISP allocation had been nearly tripled from Rs 43 billion in FY 2013 to Rs 115 billion in FY 2017, and Pakistan had made significant progress in poverty reduction.

Federal PSDP (Public Sector Development Programme) had increased from Rs 348 billion in FY 2013 to Rs 800 billion in FY 2017, he added.

Ishaq Dar said that recent PwC Report projected Pakistan's economy to be the 20th largest by 2030 and the 16th largest economy by 2050, above Italy and Canada.

Under Investment Policy 2013, he said, equal treatment was ensured to local and foreign investors, foreign equity up to 100 percent was allowed and there was no requirement of minimum foreign investment amount due to which various reputable international investors and companies had started investing here.

The minister said the government was implementing a new 'Ease of Doing Business Reform Strategy' with time-bound measures to strengthen the business climate and foster private investments.

Pakistan had recently been moved up four places in the World Bank's 'Ease of Doing Business' rankings and was also one of the top ten global improvers, he added. 32 years old Companies Ordinance 1984 had been revamped and a new Companies Bill 2016 was under consideration by Parliament, he mentioned.

He added that Pakistan had also become signatory to the OECD Anti-Tax Evasion Convention, and the OECD Anti-Bribery Convention was another forum being reviewed by the Pakistan government for joining.

He said that National Power Policy-2013 provided roadmap to overcome energy crisis.

The government had actively been working on projects to add 27,000-MW to power generation capacity, including 10,000-MW to be added to the system by March 2018. He said that electricity load-shedding had been reduced from 15 hours to 4 hours in rural areas, and from 12 hours to 3 hours in urban areas.

He said that a campaign against extremism through Operation Zarb-e-Azb and Karachi clean-up operation had led to improved security situation.—APP

http://epaper.brecorder.com/2017/02/13/3-page/849054-news.html

GDP GROWTH WILL BE ABOUT 5PC, ECONOMIST ESTIMATES
Business Recorder, 15 February 2017

KARACHI: The senior economist at Standard Chartered Bank has estimated that Pakistan's GDP growth will be more than 5 percent at the end of current fiscal year on the stable macroeconomic indicators.

Bilal Khan, Senior Economist Global Research at the Standard Chartered Bank, MENA and Pakistan, said on Tuesday that the dollar-rupee parity, fiscal deficit, foreign exchange and external accounts will remain stable in next few months but disruptions could be seen in future with the changing scenario of global economy. He said foreign inflows through exports receipts and remittances will largely depend upon the situation of the global economy.

"External account may come under pressure as current account deficit will that means double than the $ 3 billion projection of the government to $6 billion in the financial year," he said.

Bilal Khan said that as per estimates the GDP growth of Pakistan will settle at more than 5 percent during this fiscal year on the back of stable macroeconomic indicators and improved performance of the agriculture sector.

He also anticipated a 25 basis points increase in interest rates by the State Bank of Pakistan by the end of FY17.

"Pakistan's banks are likely to have their potential share in the development projects under China-Pakistan Economic Corridor (CPEC) which will generate a new stream of revenues for them in the future," he said, adding that Pakistani banks are flexing their muscles to have their share of financing in the upcoming mega projects. He was of the view that the optimism being expressed by the banks is not wrong because the improving ecosystem of development in the country will demand private sector to get their project financed through banks in coming years.

Banks are already actively participating in the development of economy showing the perpetual growth in the credit to private sector especially in the current financial year.

He said that though the major chunk of investment and financing are likely to be coming from Chinese companies and banks as it is a general impression but the certain projects will be given support by the Pakistani banks through their financing and that will result in improving their businesses and profit margins in future.

"The lower interest rates regime is also supporting the appetite of investment in the private sector which sets to expand their footprints to meet the demand of their customers in different sectors," he said.

Dima Jardaneh, Executive Director, Head, MENA Economic Research said the global economy may take twist with the likely rebound of the international market which can affect the growth of different economies across the world.

She said that after new president Donald Trump, the US policy is likely to be stable in near future however gradual effect could be seen in coming years.

http://epaper.brecorder.com/2017/02/15/9-page/849809-news.html

WILL WE BE THE 16TH LARGEST ECONOMY IN 2050?
Dawn, February 16th, 2017

Khurram Husain

A report by PwC has everyone talking due to a claim reportedly made in it that Pakistan will be the world's 16th largest economy by the year 2050. The finance minister has gone the extra mile by publicly congratulating the country on the "economic turnaround" effected by his government, citing the PwC report and an opinion piece in Bloomberg by George Mason University's Professor Tyler Cowen, in which he says that "most of Pakistan's developments are fairly positive".

Unfortunately, the finance minister, in his enthusiasm, claimed that Bloomberg has also declared Pakistan as the most underrated economy in the world in its recent report titled Pakistan's Economy Is a Pleasant Surprise. In fact, the piece in question is not a 'report' but an opinion column, and below it the following disclaimer is clearly featured: "This column does not necessarily reflect the opinion of the editorial board or Bloomberg LP and its owners."

In any case, let's take the example of the PwC report, since it is weightier and the claim being made sounds far more spectacular. The first thing to note is this: the PwC report does not say anywhere that Pakistan is going to be the 16th largest economy in the world by 2050. What it says is that Pakistan has the potential to be the 16th largest economy in the world by 2050. There is an important difference between both claims, and it should be borne in mind before popping any corks.

So the first obvious question to ask is this: what needs to be done in order to unlock this potential? The PwC report does not dwell on Pakistan in any detail. It features extended analyses on Poland, India, China and Brazil, as well as boxed analyses on Turkey, Nigeria and Columbia. It pinpoints Vietnam, India and Bangladesh "to be three of the world's fastest-growing economies" till 2050, and says "Mexico could be larger than the UK and Germany by 2050". Pakistan only features on a couple of lists presented in the report, showing it as having the potential to become a large economy by 2050 in purchasing power parity terms.

"To realise this growth potential," the report says at the outset, "emerging market governments need to implement structural reforms to improve macroeconomic stability, diversify their economies away from undue reliance on natural resources (where this is currently the case), and develop effective political and legal institutions".

Next question to ask is: how do they make their projections? What methodology do they use?

The report projects future GDP growth rates based on four variables — demographics, or the growth of a working age population; growth in quality of the workforce, measured through average education levels in the workforce; growth in physical capital stock, measured as new investment minus depreciation of existing stock; and technological progress.

As any of these indicators improve, the projection for that country's future GDP growth rate goes up. On top of that, they make an assumption about real market exchange rates relative to purchasing power parity rates. So if a country is a food importer, and its exchange rate depreciates significantly over time, that would makes its food more expensive, thereby lowering its GDP in purchasing power parity terms.

A significant share of the boost that Pakistan gets in this projection comes from the large growth of its working age population till 2050, compared to the ageing populations of the advanced industrial West or the advanced countries of the Far East (Japan and Korea for example, and China's workforce will be weighed down in the decades to come due to its one-child policy).

Second, Pakistan is food self-sufficient, which means food prices are relatively immune from international shocks, and below what they are in many other countries at the same level of development. This gives a boost to our GDP in purchasing power parity terms.

And that's pretty much all folks. This methodology says we should grow rather spectacularly in the decades to come because the sheer number of able-bodied people available to work will increase and we can grow enough food to feed them all while keeping food prices under check. In fact, as per the data in the report, Pakistan has the second largest growth in the number of average working age population till 2050, after Egypt.

The long story here is that the projections made in the report come with a heavy caveat. In order to unlock this potential, we will need further reforms in our political and institutional systems of rule, as well as diversification of our manufacturing base, increase in productivity, and fixing our balance of payments to underpin macroeconomic stability.

The short story is that, in our case, the methodology used to make the projections has given us a boost largely on the basis of a growing population. If we can continue investing in our capital stock at present levels, and educate and feed each of these working-age members of the population at cheap rates, then our economy will have this potential.

The report is not meant to spark national celebrations. It is not even meant as a guide for policymakers. It is mainly aimed at large corporations and is trying to tell their leadership that, over the long run, the trade winds are blowing eastward.

Therefore, in order to position their enterprises to capture the dividends that this large, irreversible shift of economic dynamism towards the east is going to bring, they need to start entering markets like China and India now, and solidify their presence in these economies. And in doing so, it uses a very broad brushstroke methodology to highlight the underlying sources of strength in the new centres of dynamism.

Pakistan found itself on the list largely by accident, by virtue of its young population and food self-sufficiency. Perhaps we'll tap this potential, but let's not pop any corks just yet.

https://www.dawn.com/news/1315016/will-we-be-the-16th-largest-economy-in-2050

GROWTH VS DEVELOPMENT
Dawn, February 17th, 2017

Sakib Sherani

IS there a difference between economic growth and development? Can the size of an economy grow manifold, without a corresponding improvement in its development indicators or in the socio-economic outcomes for the citizens? This question has assumed relevance once again for Pakistan as it receives strong endorsements and accolades from a wide variety of international sources for its recent economic performance and its medium-term prospects.

The Wall Street Journal, in a recent piece, finds that Pakistan's middle class has "soared" as stability returns. "Pakistan's economy is a pleasant surprise" writes Tyler Cowen for Bloomberg. Barron's, an eminent US financial magazine, tells investors to "Forget India, Its Neighbours Are the Next Big Thing".

Global professional services firm PricewaterhouseCoopers lists Pakistan as the 16th largest economy in the world by size in 2050, from 24th currently. Several years ago, then Goldman Sachs chief economist Jim O'Neill (the originator of the term BRICs) had included Pakistan in the list of the 'Next-11' emerging markets to look out for.

The foregoing is a sampling of some of the recent articles on Pakistan. While many have a narrow perspective of looking at Pakistan through the prism of potential above-average returns in the country's stock market, others are taking a long view with regard to the potential expansion in the size of its GDP. In this context, it will be instructive to look at Pakistan's long-term growth performance, and see what lessons can be drawn.

Despite many interruptions, and barring the sharp slowdown since 2008, Pakistan's economy has delivered fairly strong growth in the long run. True, progressively from the 1990s onwards, the growth rate has been significantly lower, less stable, more volatile and far less sustained than the fast-growing economies on the block: first China, then India and Vietnam, and now, potentially Bangladesh. Nonetheless, Pakistan's GDP as measured in current US dollars (used purely for the sake of convenience and ease of comparison) has more than doubled since 2006, and expanded over seven times since 1990.

On the positive side, this expansion in the size of the economy has lifted millions out of poverty and created a large middle class. But have Pakistan's overall development indicators improved correspondingly? In terms of size of economy, the country's global rank improved from 47th in 1990 to 39th over this period (Pakistan is the 24th largest economy in the world on a purchasing power parity basis).

However, its global ranking based on the UN Human Development Index has slipped from 119th to 147th. There are an estimated 83 million people facing multi-dimensional poverty, over 70m facing food insecurity, and an estimated 6m children out of school. The country's spending on education is the 172nd highest in the world, while public expenditure on health ranks it one above the bottom (at 187th). Not surprisingly, there are 116,000 Pakistanis for every hospital bed in the country, according to UN statistics. There have been improvements in some aspects, such as the adult literacy rate and infant mortality, but these have been modest and generally lag far behind most fast-growing developing countries.

In short, there is a stark and deep disconnect between Pakistan's growth performance since 1990 and its progress in terms of socio-economic development. In fact, this disconnect has persisted since much earlier, as noted by William Easterly's seminal 2001 paper on the political economy of "growth without development" in Pakistan. It is a result of an inferior "quality of growth" whereby economic growth does not emanate from processes that make it more sustainable or durable, or make it as inclusive.

More fundamentally, this disconnect arises from a lack of a national development paradigm, which has resulted in an over-reliance by the country's policymakers on GDP growth alone to take care of most development challenges.

An interesting contrast is offered by Iran. Since the Islamic Revolution in 1979, Iran's rank in the Human Development Index has risen from 142nd to 69th, with the adult literacy rate increasing from 36 per cent to over 84pc. Similarly, infant mortality has been brought down from over 44 per 1,000 live births in 1990, to 14.4 as of 2013.

These improvements have occurred despite a crushing eight-year war imposed by the US and its allies, followed by years of sanctions during which Iran's economy suffered badly. Nonetheless, despite a lower rate of GDP growth than Pakistan's, Iran's development outcomes are far superior.

Whatever the drawbacks of theocratic rule in terms of restriction of personal freedoms, purely in terms of a development focus, the Iranian regime has done a far better job than Pakistan's rapacious, westernised elite in delivering for its people.

Even in terms of their almost exclusive focus on GDP growth, Pakistan's policymakers have done little over the past 30 years to build a more solid framework for durable, sustainable, inclusive economic growth.

The country's domestic savings and investment rates are a fraction of what is required to foster sustained growth. Pakistan's small export sector, relative both to the size of the overall economy as well as relative to its peers, has shrunk even further. Not a single dynamic developing economy in the past 40 years has lifted itself to a higher development level based on any other strategy than an export-led one.

Instead of building a solid foundation for long-term growth, based on improving outcomes in education and health among other priority areas, and one that translates into economic development for all regions and all Pakistanis, the current crop of policymakers appear to have outsourced the country's long run development strategy exclusively to the China-Pakistan Economic Corridor.

While CPEC is likely to deliver a growth impulse, if done right, without focus and effort on improving Pakistan's development outcomes, the country is likely to repeat history by recording higher rates of economic growth (for short periods) simultaneous to a broken public education and health system. Without fixing the pre-requisites of economic development, higher, sustained and inclusive growth is also likely to remain elusive.

https://www.dawn.com/news/1315226

GOVT FIRMS UP: $600M LOAN FROM CHINESE BANKS
Business Recorder, 18 February 2017

Mushtaq Ghumman

ISLAMABAD: Ministry of Finance (MoF) has reportedly finalised arrangements for $ 600 million commercial loan from two Chinese banks to be utilised for balance of payments and budgetary support, well-informed sources told Business Recorder.

Under the Rules of Business, 1973, Finance Division is responsible for arranging finances to meet current and development expenditure needs of the country. One of the ways to meet the resource gap is by raising finances on commercial terms from international financial markets.

The sources said recently the terms and conditions of the two financing facilities of $ 300 million each (total $ 600 million) to be provided by Industrial Commercial Bank of China (ICBC) and Bank of China have been negotiated. The proceeds of the financing will be utilised for balance of payments and budgetary support.

The two loan agreements have been cleared by the Ministry of Law and Justice from legal point of view, the sources added.

Federal Board of Revenue (FBR) has granted necessary tax exemptions under the avoidance of double taxation agreement between Pakistan and China.

According to FBR, interest will accrue to Bank of China in Pakistan under the Second Protocol to Avoidance of Double Taxation Agreement (ADTA) between Pakistan and China.

The sources said similar treatment is being accorded to the Industrial and Commercial Bank of China (ICBC) under the Third Protocol under avoidance of double taxation agreement between Pakistan and China. However, the Third Protocol has not been enforced as yet and likely to be enforced shortly after its vetting from the Law Division. The Third Protocol will enter into force on the date of the receipt of the latter notification by the two countries.

FBR maintains that the matter concerning tax exemption of interest income arising in Pakistan for the ICBC and Bank of China has already been catered for in the protocols to the avoidance of double taxation agreement between the two countries.

http://epaper.brecorder.com/2017/02/18/1-page/850949-news.html

NEWS COVERAGE PERIOD FROM FEBRUARY 6TH TO FEBRUARY 12TH 2017

GOVERNOR STRESSES NEED TO BOOST ECONOMIC ACTIVITIES IN KARACHI
Dawn, February 8th, 2017

KARACHI: Sindh Governor Mohammed Zubair has stressed the need for increasing economic activities in Karachi to restore its identity as the jugular vein of the country's economy.

Highlighting the need for solving problems confronted by the people on priority basis, the governor said people could be provided relief by early completion of the ongoing development projects.

He reiterated the determination of the government to continue the operation against criminals until its 'logical objectives' were achieved.

These views of the governor emerged during four separate meetings he held with Sindh Chief Minister Syed Murad Ali Shah, Karachi Corps Commander Lt-Gen Shahid Baig Mirza, Chief Secretary Rizwan Memon and IG of Sindh Police A.D. Khowaja in Governor House on Tuesday.

They expressed determination to continue to take necessary measures to make law and order durable in Sindh. During their meetings the governor and the chief minister exchanged views on the ongoing operation, law and order situation, development projects, water schemes and mass transit projects.

They both pledged to work jointly for the development of the province and complete all ongoing projects.

The governor said he had not come here to compete with anyone but to cooperate in getting the problems resolved.

Appreciating the spirit, Chief Minister Shah assured him of his full support.

Corps Commander Lt-Gen Shahid Baig Mirza called on the governor at Governor House and discussed with him the ongoing operation, law and order and other issues related to the city.

At the meeting, they resolved to continue the ongoing operation in Karachi till its logical end and said that the sacrifices rendered by the Rangers, police and law-enforcement agencies for the restoration of law and order to the city would not be allowed to go in vain.

During the meeting with Chief Secretary Rizwan Memon, the governor said that providing relief to people was the top priority of the provincial government.

The chief secretary briefed the governor about the progress of development projects under way.

IG Sindh Police A.D. Khowaja briefed the governor about the ongoing operation, measures taken by the government to improve the performance of the police and the proposed measures to cleanse the city of all sorts of crimes.

The governor assured the police chief of full cooperation and asked him to take all necessary measures without any discrimination to maintain law and order.

http://www.dawn.com/news/1313337

PAKISTAN COULD BECOME 16TH LARGEST ECONOMY BY 2050: PWC
Dawn February 9th, 2017

Dilawar Hussain

KARACHI: Pakistan's economy could become the 16th largest by 2050 based on its gross domestic product (GDP) at purchasing power parity (PPP), said a report prepared by PricewaterhouseCoopers (PwC), a multinational professional services network headquartered in London and considered among the 'Big Four' auditors.

This means the country would overtake Italy and Canada, which currently rank at 12th and 17th places, respectively.

The report, titled 'The Long View — How Will the Global Economic Order Change by 2050' and released earlier this month, projected a number of new emerging markets taking the centre stage. Emerging economies such as Indonesia, Brazil and Mexico are likely to be larger than the UK and France, it said.

A table appended to the report indicated that on the basis of PPP, Pakistan would climb from its current 24th place (with GDP at PPP amounting to $988bn) to 20th place ($1.87tr) by 2030 and to 16th place ($4.2tr) by 2050.

Projected GDP rankings (at PPPs) as published in the PwC report.

In terms of GDP at real market exchange rate (MER), Pakistan's economy is projected to rise from 28th place ($284bn) at present to 27th by 2030 ($776bn) and to 19th ($2.8tr) by 2050.

GDP at PPP adjusts for price level differences across countries and provides a better measure of the volume of goods and services produced in an economy.

Projected average real GDP growth per annum 2016-2050.

In contrast, GDP at MER provides a better measure of the value of goods and services produced in an economy and converts a country's GDP in national currencies to the US dollar based on current market exchange rates, it said.

China has already overtaken the United States to become the world's largest economy in PPP terms, said the report. India currently stands in third place and is projected to overtake the US by 2050.

France will no longer be among the world's 10 largest economies on this basis, with the UK falling to 10th place, while Indonesia could rise to 4th place. "By 2050, six of the seven largest economies in the world could be today's emerging economies in PPP terms according to our projections," the report said.

Key findings of the report projected that the world economy could more than double in size by 2050. Assuming broadly growth-friendly policies, emerging markets would continue to be the growth engine of the global economy.

http://www.dawn.com/news/1313636/pakistan-could-become-16th-largest-economy-by-2050-pwc

PAKISTAN TO JOIN TOP 25 ECONOMIES BY 2025, SAYS NAWAZ
The Express Tribune, February 10th, 2017.

ISLAMABAD: Prime Minister Nawaz Sharif claimed that Pakistan would be among the top 25 leading economies of the world in the next eight years.

"Our vision 2025 maps Pakistan to join the top 25 economies of the world leading to the Upper Middle Income country status by 2025," he said while speaking to business leaders from around 38 companies from across the world.

The economy is targeted to grow over 8% between 2018 and 2025 while maintaining single digit inflation, he said. Business consultancy firm Price Waterhouse Coopers has put Pakistan at 20th place on its projected list of 32 most powerful economies of the world in 2030, he added.

According to him, as a result of sustained commitment to reform, key economic indicators have improved since the PML-N came to power in 2013.

"Over the past three years, we managed to bring down the fiscal deficit from 8.6% to 4.6%, increased tax-to-GDP ratio from 9.8% to 12.4% and investment-to-GDP ratio from 14.9% to 15.2%. We have contained inflation which touched 1.6% in October 2015 and has remained well under 3% since then," he claimed.

Prudent financial and fiscal management enabled the central bank to bring the policy rate to a multi-decade low. The industrial sector showed remarkable performance and registered a growth of 6.8% during 2015-16, he said. It is poised to do even better this year and onwards.

The consumer market is growing at a very fast pace. The consumer demand of automobiles, housing and electronics is thriving and providing considerable returns to the corporate sector. The services industry, particularly telecommunication, hospitality and online-retails, are fast growing into attractive areas for investment. Pakistan is emerging as an expanding market for US and European products.

With a fast growing middle class, increasing urbanisation, growing popularity of international food products, and a rising number of international food chains, Pakistan is poised to become a major destination for international businesses.

Premier Sharif said his administration has devised a comprehensive plan to create an investment-friendly environment. We have liberalised investment policies to welcome foreign investments.

Pakistan now offers incentives to attract new capital inflows, including tax exemptions, tariff reductions, infrastructure, and investor facilitation services. "Our Investment Policy (2013) focuses at reducing the cost of doing business in Pakistan, improve ease of doing business with creation of industrial clusters and special economic zones to attract foreign direct investment. All this is protected by legislation."

International economic agencies are upgrading ratings for the financial and economic stability of Pakistan.

The Standard & Poor (S&P) has upgraded its forecast of average annual GDP growth from 4.7% to 5%. The World Bank forecasts a GDP growth of 5.2 % for 2016-17. S& P also expects Pakistan's debt to fall below 60% of GDP by 2018. It has upgraded Pakistan's long-term credit rating to B with a stable outlook.

https://tribune.com.pk/story/1322226/ambitious-target-pakistan-join-top-25-economies-2025-says-nawaz/

BUDGET LIKELY BY END OF MAY
Business Recorder, 12 February 2017

Zaheer Abbasi

ISLAMABAD: Finance Minister Ishaq Dar has reportedly asked the Finance Division and the Federal Board of Revenue (FBR) to make preparations for presenting federal budget for fiscal year 2017-18 by the end of May 2017.

However, an official said that a final date to present the budget is still to be finalised but the minister wants the presentation of the budget before the commencement of Ramazan.

On Saturday, the finance minister chaired a meeting to review the proposed calendar of events and other matters related to federal budget. The meeting was attended by Finance Secretary Tariq Bajwa, who also holds additional charge of Secretary Revenue Division, and other officials of the Finance Division.

The minister expressed satisfaction over the progress of various activities and emphasised the importance of completing all the scheduled activities in a timely manner. He directed the officials concerned to ensure that budget preparations are undertaken as per timelines with due consideration to the timing of Ramazan this year.

The minister also directed for close coordination between the Ministry of Finance and other ministries/departments so as to carry out the budget exercise in an efficient and cohesive manner.

The minister said that keeping in line with the past four years' tradition of the incumbent PML-N government, all opinions, proposals and constructive suggestions from stakeholders and experts will be taken into account while preparing the budget. He said that as always, ensuring the well-being of the general public will be accorded the utmost priority.

http://epaper.brecorder.com/2017/02/12/1-page/848829-news.html

NEWS COVERAGE PERIOD FROM JANUARY 30TH TO FEBRUARY 5TH 2017
SBP SIGNS ACCORD WITH WB TO ACHIEVE STRATEGIC GOALS
Shahid Iqbal

Dawn, January 30th, 2017

KARACHI: The State Bank has signed an agreement with the World Bank to achieve its six strategic goals set for the year 2020.

The technical cooperation agreement was signed on Saturday. This is the first such agreement signed by the World Bank on Reimbursable Advisory Services (RAS) with any country in the South Asian region.

The signing ceremony was held after a meeting between SBP Governor Ashraf Mahmood Wathra and World Bank CEO Mristalina Georgieva at a hotel in Karachi.

The SBP strategic plan 2016-20 has been framed and built around to focus on resolution of strategically important issues facing Pakistan’s economy and the financial sector.

While Pakistan has made significant improvement in its economic fundamentals in recent years, the SBP strategic plan has been developed against the backdrop of continuing challenges and a need to foster a greater intermediation role for the financial sector.

“The six strategic goals of SBP aim to enhance monetary policy, strengthen the financial system stability regime, improve the efficiency, effectiveness and fairness of the banking system, increase financial inclusion, develop a robust payment system and strengthen SBPs organisational efficiency and effectiveness,” said a statement issued by the SBP on Sunday.

The World Bank’s engagement in the financial sector is a combination of financial advisory, knowledge and convening services, and is complemented by investments and private sector engagement by International Finance Corporation, it said.

Under the agreement, the SBP and the World Bank have agreed on a well-defined work programme, including specific outputs.

The technical cooperation programme is anticipated to have several components, such as development and implementation of a risk-based supervision framework; implementation of an rnterprise risk management framework and strengthening of cyber security.

http://www.dawn.com/news/1311618

PAKISTAN’S EXTERNAL DEBT RISES FASTER THAN FOREIGN CURRENCY EARNINGS
The Express Tribune, January 31st, 2017.

Shahbaz Rana

Pakistan’s external debt-bearing capacity slightly weakened last year as the country’s stock of external debt increased rapidly than its foreign exchange earnings, reveals the Debt Policy Statement.

The government presented the Debt Policy Statement 2016-17 on Monday in the National Assembly, which was the first statement after the introduction of sweeping changes in the Fiscal Responsibility and Debt Limitation (FRDL) Act of 2005 in June last year.

Economists had criticised these amendments, arguing that they were aimed at deflecting attention from the growing public debt.

Despite changing goalposts by amending the law, there were certain areas where the government could not show improvement. However, it was able to claim progress in certain other areas.

Headed by its Director General Ehtesham Rashid, the Debt Policy Coordination Office prepared the statement in the light of the FRDL Act aimed at reviewing the government's management of public debt and liabilities.

The external debt-to-foreign exchange earnings ratio increased to 1.1 times, showing that Pakistan's debt-bearing capacity weakened by the end of last fiscal year.

It is for the first time since 2012 that the ratio has weakened. In the past three years, it had remained stable, although the government excluded liabilities from the comparison last year.

Similarly, the external debt-to-gross domestic product ratio weakened from 18.8% to 20.4%.

"Apart from external inflows, the translational losses on account of depreciation of the US dollar against other foreign currencies contributed to the increase in this ratio," noted the debt office.

The public debt-to-government revenue ratio stood at 442.5% against the generally acceptable threshold of 350%. This means less resources are available for spending on human resources and development.

Total external debt and liabilities rose 14.6% to $74.6 billion by September last year, according to the statement. The external debt and liabilities were at $61.4 billion in June 2015. In the external debt, the public debt rose to $58.7 billion.

There were certain areas where the government showed improvement. The external debt-to-foreign exchange reserves ratio slightly declined to 2.5 times, reflecting the positive impact of increase in the foreign currency reserves.

However, these reserves were not increased through non-debt creating instruments like foreign direct investment and exports. Instead, the government borrowed to push up the reserves.

There was also slight improvement in the external debt servicing-to-foreign exchange earnings ratio due to a decline in foreign debt repayments, largely because of repayment of the previous IMF loan. Going forward, the debt office has predicted that there will be limited pressure from external debt repayments in the medium term. It has projected limited pressure till fiscal year 2020-21.

Before the amendments in the FRDL law, the government was bound to keep the public debt below 60% of the total size of national economy and its revenues should be sufficient to finance at least current expenditures.

However, despite the gross public debt-to-GDP ratio at 66.5% in the last fiscal year, the government was not in violation of the law, thanks to the amendments.

For a developing country like Pakistan, a debt-to-GDP ratio below 50% is considered sustainable. Anything above this threshold is counted as dangerous in the long term, according to economists.

The PML-N government has been heavily borrowing to finance its expenditures as it remains unable to mobilise domestic resources. The 66.5% ratio was 3.3% higher than the previous year. The public debt-to-government revenue ratio stood at 442.5% against the generally acceptable threshold of 350%.

The government also could not increase revenues and its receipts were not sufficient to finance the current expenditures. The revenue deficit – total revenues minus current expenses – was recorded at 0.7% of GDP in 2015-16. However, this was better than the previous year and the trend was positive.

Total public debt stood at Rs20.6 trillion at the end of September 2016, an increase of Rs3.15 trillion since June 2015.

https://tribune.com.pk/story/1311803/pakistans-external-debt-rises-faster-foreign-currency-earnings/

SPEAKERS STRESS NEED TO BUILD ECONOMY FOR BENEFIT OF COMMONERS
Business Recorder, 31 January 2017

LAHORE: Speakers at a seminar on equality and human economy have stressed the need to build human economy for benefit of a common man.

The seminar was jointly organised by Indus Consortium and Rise for Equality. Small/women farmers from rural areas of Leyyah, Rajanpur, Muzaffargarh and Multan were also present there to share real life experiences of bearing the brunt of taxation on household items, agriculture inputs and other essentials of daily life use.

Fiza Qureshi, Manager Programme Implementation Indus Consortium, gave a presentation on human economy while Jamshid Fareed, Executive Director HELP Foundation, highlighted the efforts to end inequalities. Prominent singer Jawad Ahmed discussed poverty situation in Pakistan.

Fiza Qureshi said that the world's biggest issue is economic inequality. Quoting reports of Oxfam and giving references of the World Bank and World Economic Forum, she said: "One out of 10 persons in the world still has to sleep hungry."

She said eight billionaires own the same wealth as the 3.6 billion poorest people have. She said the economic managers of various governments need to work for the poor, ignored and marginalized segments of the society. The governments need to cooperate for economic growth. She suggested that technology should be used to increase employment opportunities but not for curtailing jobs.

"By all measures we are living in the age of superrich, a second gilded age in which a glittering surface masks social problems and corruption. Oxfam's analysis of the superrich includes all those individuals with a net worth of at least one billion dollar.

Jamshid Fareed, Executive Director HELP Foundation, said that indirect taxes are unjust and unfair as the poor who have no taxable income are taxed at the same rate as the rich.

He said the prevailing regressive taxation needs transformation into progressive tax system. He said: “Current economy of the 1% in the world is built on set of false assumptions which lie behind many of the policies, investments and activities of the governments.” Jawad Ahmed stressed the need for making well-planned efforts to remove the disparities causing inequality.

He urged the youth to focus on research work in various areas. He said the fabric of the society contains more than 43 million living under poverty line and another 45 million living at threshold level.

Poor social indicators: 25 million children out of school, 4 $ spending on health per person, more than half of Pakistani population don’t have access to toilets, about 11% don’t have access to improved drinking water sources.

http://epaper.brecorder.com/2017/01/31/13-page/845769-news.html

INFRASTRUCTURE FINANCE POLICY APPROVED
Dawn, February 1st, 2017

Khaleeq Kiani

ISLAMABAD: A meeting of the Economic Coordination Committee (ECC) of the Cabinet on Tuesday approved a summary on Infrastructure Finance Policy 2017 with comprehensive vocabulary having four broad parameters.

Finance Minister Ishaq Dar had called a single-point meeting of the ECC to ‘consider and approve the Infrastructure Finance Policy Pakistan 2017,’ said an official statement.

Under the said policy a sound and long-term infrastructure finance framework has been provided that caters to both demand and supply side of finance and it is designed to attract Foreign Direct Investment (FDI) and mobilise private financing for public infrastructure, the statement claimed.

Following is the full text of the summary on Infrastructure Finance Policy Pakistan 2017 approved by the ECC that also explains the quality of official summaries to the forum.

“Pakistan’s economy is on the rise in the wake of sustained economic reforms agenda implemented since 2013. After having achieved macroeconomic stability in the first three years, the government is now focused on attaining higher sustainable and inclusive growth”.

The GDP growth last year was 4.7 per cent which was the highest in the last eight years, the summary noted.

To carry the growth momentum further and to meet country’s infrastructure needs, the government supports the expansion of infrastructure both directly through public sector investment and indirectly by facilitating private sector investment and finance.

It said the available public finances are not sufficient for funding such infrastructure projects which need to be augmented by mobilising finances and attracting investment from the private sector.

In this regard, development of a sound, long-term infrastructure finance policy that caters to both the demand and supply sides, and that is designed to attract FDI and mobilise private financing for public infrastructure, is a critical piece of the overall strategy and will be crucial to sustain the current investment level, the summary explained to the ECC.

"Accordingly, a policy framework for financing of infrastructure projects had been developed in consultation with the key stakeholders. The policy seeks diversification of financing sources and strengthening of key institutions for mobilising of private investment in infrastructure sector," the summary claimed without any elaboration.

It said the policy proposed an action plan that was not part of the summary but aims to address the country's long-term infrastructure financing requirements through the following four measures.

These include "efficient policy framework for infrastructure finance, good practices framework for infrastructure projects, enhance financial intermediation to support infrastructure investment and strengthening the development finance framework", the summary concluded, adding the input/views also came from ministries of Planning, Petroleum, Communication, Water and Power, Railways, Aviation, the State Bank and the Securities and Exchange Commission of Pakistan.

The official statement issued after the policy envisaged phase-wise intervention in these areas to increase the quantum of infrastructure financing flows. It claimed the policy was intended to have particular focus on infrastructure sub-sectors more suited to private sector investment and finance namely transportation facilities (like ports, terminals, airports, railways, water-ways and toll roads), energy (oil and gas, thermal, hydro and other renewable power infrastructure) and telecommunications (eg fibre optics).

"The finance minister hoped that the approval of the policy would help the government to increase infrastructure investments. It would facilitate and increase the role of the private sector in the infrastructure development structure," the statement concluded.

http://www.dawn.com/news/1311925

PAKISTAN'S DEBT: PUTTING THE RECORD STRAIGHT
The Express Tribune, February 1st, 2017.

Mohammad Ishaq Dar

Economic indicators are always open to interpretation and debate. Some analyse these numbers objectively whereas others fall prey to their biases. In the latter case, analysts gather and present only selective information and analyse it on the basis of their preconceived notions. Unfortunately, few analysts in Pakistan are also not immune from such biases. What they do not realise is that by misinterpreting the facts and figures of extremely important indicators, they are doing a disservice to the country.

They fail to realise that their analysis based on selective data may dampen confidence of both the domestic investors as well as external partners. Fortunately, international organisations including the

World Bank, the IMF and the Asian Development Bank (ADB) as well as credit rating agencies, have proved to be objective in their analyses and assessments.

The case in point is the public debt management. Some inherently skeptical analysts have gone overboard with predictions of doomsday scenario for Pakistan's debt and liabilities. Not surprisingly, their analyses are largely built on misinterpretations rather than facts. It must be understood that the contours of public debt management are complex.

This process involves dealing not only with budgetary requirements of the country but also maintaining a fine balance between cost and risk, developing an efficient and deep secondary debt market, and maintaining the public debt at a fundamentally sustainable level.

Debt management has taken special emphasis in our public financial management. This is so because persistently large fiscal deficits of previous successive governments have caused a significant growth in the volume of public debt over the past few years. The vision of our government is not just to bring the debt-to-GDP ratio in line with existing statutory limit of 60 per cent, but also to scale down this limit to 50 per cent in 15 years, starting from FY 2018-19.

Side by side, we have also put statutory upper limit of 4 per cent on federal fiscal deficit. Necessary amendments to the Fiscal Responsibility and Debt Limitation Act (FRDLA) in this regard have been passed in June 2016 by Parliament. Such far-reaching measures are going to bring further structured discipline in our debt management. As for now, let me present below a few points to address common misperceptions.

At the outset, there is a need to have a clear distinction between domestic and external components of public debt, since each category carries a different risk profile. As at end June 2016, the country's gross public debt was Rs19.68 trillion and net public debt stock was Rs17.83 trillion, of which the net domestic component was Rs11.78 trillion and the external component was Rs6.05 trillion. Thus, net domestic debt constituted around 66% of net public debt, while the remaining 34% was external debt.

The government is adhering to the Medium Term Debt Management Strategy (MTDS) for the period 2015/16 — 2018/19 to make public debt portfolio more sustainable. As per MTDS, the government is focusing on extending the average time to maturity of domestic debt through mobilisation mainly in the form of medium to longer tenor instruments like Pakistan Investment Bonds (PIBs). Medium to long-term debt, which consists of permanent and unfunded debt, amounted to Rs8.6 trillion as at end June 2016, witnessing growth of 13.7% year-on-year. In contrast, the short-term debt, which composed of primarily treasury bills, increased by only 8.4% year-on-year.

Refinancing risk was one of the most significant issues in Pakistan's public debt portfolio, driven primarily by the concentration of domestic debt in short maturities at the end of June 2013. An important aspect of having more domestic debt is that it inherently has a low intensity of roll-over risk compared to the external debt. Specifically, the debt denominated in local currency can be readily refinanced with an appropriate mix of treasury bills and investment bonds. The fortnightly auction of T-bills and monthly auction of PIBs of various maturities provides a well-functioning and systematic avenue to facilitate refinancing.

Here, it is also important to highlight that the entire amount of debt does not mature on the same day. Rather, it becomes due over a period of time which enables the government to plan its schedule of repaying or rolling over existing debt and go for a new period which is decided taking into account the prevailing cost of borrowing, prospects of rate for coming periods and matching it with tax collection pattern.

Some analysts are often misquoting the level of public external debt in the media as US$ 73 billion. They lump together public debt with private debt, which includes foreign exchange borrowings of banks as well as the non-financial private sector. This represents a cumulative annual growth rate of only 6.3 per cent per annum. Certainly, this cannot be termed an exponential growth, as claimed by a few. It may also be noted that a part of this increase has come from the IMF debt, which has been taken only for balance-of-payment support, repayment of pending installments due to IMF of loan taken by the previous government in July 2011 and not for budgetary financing.

Furthermore, the present government has repaid around US$ 12 billion of external debt till end June 2016, which was mainly related to the borrowings of the previous governments. Despite these heavy repayments, the forex reserves of the country have risen to more than US$ 23 billion, of which SBP reserves were US$ 18.1 billion at end June 2016, which is equal to over five months of import cover as compared to around one month of import cover in June 2013 when the SBP reserves (net of temporary swap of US$ 2 billion) stood at US$ 4 billion. At the time, some analysts were predicting that Pakistan would not have sufficient external resources to fulfil its external debt obligations and would head towards default by June 2014.

https://tribune.com.pk/story/1312831/pakistans-debt-putting-record-straight/

‘GOVT RELUCTANT TO FUND RESEARCH IN THE COUNTRY’
Dawn, February 2nd, 2017

Jamal Shahid

ISLAMABAD: A Senate committee on Wednesday discussed the lack of funds for scientific research and said that this year’s budget for research was less than what a kilometre of the metro bust track cost.

The committee was responding to remarks from the Federal Minister for Science and Technology, Rana Tanveer Hussein, who said that scientific research and development was not a priority for the incumbent government.

“The government is reluctant to fund research in the country,” Mr Tanveer said.

The Senate Standing Committee on Science and Technology met to discuss the functions and contributions of some of the departments under the ministry.

“We asked for ten times more money for breathing life into and promoting the culture of science and technology. However, the government believed that the science and technology ministry cannot deliver and was reluctant to increase funds for research and development,” the minister said.

Rana Tanveer Hussein told the committee that his ministry’s annual budget for research and development was a meagre 0.29pc of the GDP.

“Pakistan ranks at 87th in the world, one of the lowest, in terms of spending on research and development,” he said.

The committee was told that the amount of funds released for this purpose had gone down after 2007-08 and so did research and development activities.

Members were told that though scientists have worked hard, the results of planned projects were not visible and that a lack of support from the government to the ministry led to most experts switching to more rewarding jobs and better opportunities abroad.

According to an official from the ministry, development projects have suffered in all the 16 departments under the science and technology ministry including the Pakistan Council for Research in Water Resources, Pakistan Council for Renewable Energy Technologies and the Pakistan Council for Scientific and Industrial Research.

“Nonetheless, we have been able to increase the budget for some departments, such as the budget for the Pakistan Science Foundation has increased from Rs37 million to Rs117 million. Please help the science and technology ministry get more money,” the minister pleaded.

The chairman of the committee, PPP Senator Osman Saifullah Khan said that it was disappointing to know that the budget of a kilometre of the metro bus track costs more than the entire budget of the science and technology ministry and that other countries are making research based advancements to help their economies grow.

The committee assured the minister that it will help his ministry overcome its financial challenges.

http://www.dawn.com/news/1312134

FINANCE SECRETARY’S HIRING DELAYED AS LOBBYING IN FULL SWING

The Express Tribune, February 2nd, 2017.

Shahbaz Rana

ISLAMABAD: A disagreement in the ruling Pakistan Muslim League-Nawaz (PML-N) has delayed the appointment of a permanent federal finance secretary as a lobby in the party is against the hiring of Tariq Bajwa despite his strong credentials, say sources in the Ministry of Finance.

Owing to the delay in arriving at a consensus on the new finance secretary, the government has also withheld the notification for the appointment of new Federal Board of Revenue (FBR) chairman.

It is delaying the appointments at a time when it is preparing for negotiations with the International Monetary Fund (IMF), which are going to take place later this month.

After the nomination of Mohammad Zubair as new Sindh governor, the post of Privatisation Commission (PC) chairman has also fallen vacant, which the government may have to fill before the IMF talks.

The government was considering giving the slot of PC chairman to a diehard party loyalist or to a technically sound person. In this regard, names of Dr Miftah Ismail, Chairman of the Board of Investment, Daniyal Aziz, MNA and Ashfaq Tola, member of the PC board, were making rounds in the capital.

Former finance secretary Dr Waqar Masood retired on January 20 after serving for almost four years as head of the most important federal ministry. FBR Chairman Nisar Muhammad Khan retired on January 18. There were expectations that Finance Minister Ishaq Dar would immediately announce their successors as he had already completed his homework.

However, instead of appointing a permanent finance secretary, the government has given the “look-after” charge to Dr Shujat Ali, who was serving as Special Finance Secretary, according to a notification. It also gave the look-after charge of FBR chairman to Dr Mohammad Irshad, in addition to his responsibilities of Member Inland Revenue Operations.

Irshad is a Grade-22 officer and is the strongest candidate for the post of FBR chairman.

Sources said Dar wanted to appoint Bajwa, who is currently serving as Economic Affairs Division (EAD) Secretary, as the new finance secretary. In his place, the name of Shahid Mehmood, Executive Director of the IMF, had been shortlisted for the post of EAD secretary, they said.

There was hope that Bajwa would take charge as finance secretary on January 23. However, a Lahore-based lobby of the PML-N was resisting his appointment, the sources said.

Before taking over as EAD Secretary, Bajwa served as the FBR chairman. He is known as a competent and hard taskmaster officer, belonging to the powerful Pakistan Administrative Services. Bajwa has earned the reputation of a doer and enterprising person.

The response of the finance ministry over delay in appointments was awaited till the filing of the story.

Dar on Thursday gave a lunch in honour of the recently retired finance secretary and FBR chairman. On the occasion, he was said to have told participants that he had yet to discuss the names of new secretary and FBR chairman with the prime minister.

Any further delay may dim Bajwa’s chances to be elevated to the prestigious position of finance secretary as he is retiring in June this year. In that case, the chances of Mehmood becoming the secretary would be bright, the sources said.

They said the government might confirm Irshad as the FBR chairman. However, names of two other officers of the Inland Revenue Service of the FBR were also under consideration for the post.

There was also a delay in issuing notifications for the promotion of hundreds of Grade-19 and Grade-20 officers to their next grades as the Prime Minister’s Office was sitting over their files for the past many weeks.

This has created a vacuum in various ministries where they will be posted after their elevation.

Owing to the delay, the premier has also not yet called a meeting of the High Powered Board that will consider cases of promotion from Grade-21 to Grade-22 – the highest pay scale in civil bureaucracy.

https://tribune.com.pk/story/1314208/lack-consensus-finance-secretarys-hiring-delayed-lobbying-full-swing/

TURKISH INVESTORS KEEN TO INVEST IN VARIOUS SECTORS
Business Recorder, 4 February 2017

LAHORE: A delegation of Turkish investors called on Punjab Chief Minister Shehbaz Sharif on Friday and expressed keen interest for investment in different sectors of Punjab specifically water sector, waste water treatment and housing sector.

They commended Shehbaz Sharif and said that Punjab has made unprecedented progress under his leadership. They said Shehbaz has worked efficiently for the welfare of its people and as a result of it Lahore today is a beautiful and prosperous city just like Istanbul.

While talking to the delegation, Shehbaz said that Pakistan-Turkish relations are bound in the historical fraternal relations which are turning into sustained economic cooperation in Nawaz led government. He praised that Turkey has made progress by leaps and bounds in the administration of President Recep Tayyip Erdogan and Pakistan is enjoying deep rooted relations of brotherhood and unconditional support in different sectors.

Shehbaz said that Punjab is providing appropriate environment for investment and many Turkish companies are already investing in Pakistan specifically Punjab, which is a welcoming step. The Punjab government is trying to improve organizational structure of WASA in big cities which is in dire need of revamp. This will bring noteworthy enhancement in the working of WASA also there-structure and capacity building of WASA will substantially improve its efficiency which will lead public benefitting from the investment at its fullest.

He said that short, medium and long term planning is needed to move forward this project in operative basis.

Syed Haroon Sultan Bukhari, senior leader PML (N) Khawaja Sharif Ahmed Hassan, Additional Chief Secretary and other concerned officials were also present on the occasion.

http://epaper.brecorder.com/2017/02/04/9-page/846702-news.html

FINANCING FOR FIXED INVESTMENT SWELLS
Dawn February 5th, 2017

Shahid Iqbal

KARACHI: Financing for fixed investment in almost all sectors of the economy is on the rise after a decade of stagnation, according to the Statistical Bulletin for February issued by the State Bank of Pakistan (SBP) on Saturday.

It showed that financing for fixed investment increased each month during the first half of 2016-17.

Banks were reluctant to finance fixed investment for almost a decade because of higher risks involved. Instead, debt instruments of the federal government remained the favourite investment avenue for banks.

Banking analysts attribute the recent change to the low interest rate scenario, which is hurting banks' income. Returns on government papers have been falling for more than a year while the government keeps relying on the SBP to meet its borrowing needs.

According to the SBP report, fixed investment for the manufacturing sector amounted to Rs673.2 billion at the end of December 2016 after rising by Rs71.3bn since July.

Recently, SBP Governor Ashraf Mahmood Wathra expressed his satisfaction that financing for fixed investment has been increasing and called it encouraging for economic growth. The energy sector received the second highest amount of financing for fixed investment during the period under review. Collective financing for fixed investment in electricity, gas and water supply rose to Rs217.5bn in December 2016 after adding Rs15.2bn since July.

Another SBP report said that banks' advances increased 144 per cent in 2016, which indicates higher growth in the economy. Higher fixed investment is a sign of growing economic activities that also create greater demand for liquidity.

The government is ensuring a higher flow of money into the economy by not using banking liquidity. It has been borrowing money from the central bank instead.

Financing for fixed investment in transport, storage and communications was Rs140bn at the end of December 2016 against Rs138bn at the end of July. Data shows the sector also received substantial advances from banks throughout 2016.

The booming construction industry attracted significant advances from banks while fixed investment in the sector also rose to Rs77bn by the end of December 2016 compared to Rs64bn in July.

The construction industry offers a huge investment potential. Growth in the construction industry mobilises at least 42 allied industries, which results in overall economic growth. The country is short of about 7m housing units, which means a massive investment opportunity exists in this sector.

Chinese investors have started showing interest in the property and construction industry in Pakistan, which may force local players to increase investments in this sector.

Financing for fixed investment in the services sector amounted to Rs47.7bn at the end of December 2016 compared to Rs41.5bn in July.

http://www.dawn.com/news/1312740

March 2017

NEWS COVERAGE PERIOD FROM MARCH 27TH TO APRIL 2 ND 2017

CAN PAKISTAN'S INFRASTRUCTURE SPENDING SPREE HELP WIN THE ECONOMIC MARATHON?

The Express Tribune, March 27th, 2017.

ISLAMABAD: Pakistan is aggressively pursuing infrastructure megaprojects at the moment – as are other countries which include the United States, China and Canada.

And why not? It sounds like a perfect strategy as governments take advantage of low-interest rates to finance lucrative megaprojects. During the 2008 global financial crisis, megaprojects stayed recession-proof; and have been since seen as a convenient policy lever to stimulate growth and fabricate aggregate demand.

However, the infrastructure boom in Pakistan has increased its exposure to debt – one which could trigger a possible financial crisis in the future. The total public debt has risen by 35% since 2013 with an increase of 28% in foreign debt. Much of the borrowing is being done on the prospect of future revenues from China-Pakistan Economic Corridor (CPEC) projects, such as toll revenues from the use of motorways.

But what if megaproject planners have been overestimating benefits and underestimating costs of these infrastructure projects? The consequences for an "economy on steroids" could be an economic "Pearl Harbour" for Pakistan.

Relying on borrowing alone, even concessional loans, to finance megaprojects is not a good idea as the injection of stimulus puts the burden of debt on future generations, especially in a scenario where future project cash-flows are uncertain. It will eventually lead to a rise in tax rates, specifically indirect taxes, which is not at all a feasible option.

Moreover, if urban planning is done poorly and centrally, chances are that it might not have a positive fiscal multiplier. For example, China has been building "ghost cities" for decades that are still largely unpopulated. The northern city of Kangbashi is considered as an urban failure. Meanwhile, Japan's billions of investments on building bridges prove that even maxing out on the nation's credit card won't jump-start a troubled economy.

There is an imperative need to move away from the centralised planning approach – with an aim to promote private-public partnerships (PPP) on a model such as EPC (engineer, procure and construct) contracts instead of pure debt-based financing. Economic activity spurred by the private sector will act as a catalyst to produce more jobs and will create a positive fiscal multiplier effect.

The government may engineer a fund belonging to the infrastructure asset class – which is a unique hybrid of debt, equity and real estate. The long-term nature of such a fund will match it to requirements of pension funds, insurance companies and sovereign wealth funds. These financial entities usually invest in infrastructure via a self-contained entity that offers infrastructure-related products and services.

A typical infrastructure project company usually has a well-defined business purpose. For example, it could be a PPP motorway project that involves financing, construction and managing operations under a long-term concession agreement for a period of somewhat 30 years.

At present, there is a market gap to meet requirements of Shariah-compliant pension and insurance funds; so a Sukuk and Shariah-compliant infrastructure fund will attract a lot of investors' attention. An infrastructure or development bank, backed by government guarantees, may also be established to act as a creditor for project finance that can obtain capital market finance on favourable terms and then issue bonds.

Unfortunately, infrastructure projects are often politicised. For instance, projects related to Rapid Mass Transit in Lahore including the Orange Line Metro Train project shows that how long-term megaprojects can by stymied by short-term political considerations.

This explains why institutional investors such as pension fund managers are reluctant to embrace infrastructure investment as they are aware of the fact that infrastructure investments are not free from political risk.

So, is megaproject building spree a trusted canoe to navigate treacherous economic times? Yes, but only if the government plays off the front foot by preparing a holistic policy roadmap to engage the private sector.

https://tribune.com.pk/story/1366360/can-pakistans-infrastructure-spending-spree-help-win-economic-marathon/

PRM CONDUCTS SURVEY TO BOOST ECONOMIC ACTIVITY IN SOUTH PUNJAB
Business Recorder March 27th, 2017

Pakistan Resident Mission (PRM) of Asian Development Bank Farzana Naushab said, "we are conducting survey in South Punjab to enhance the economic activities in the area for development, prosperity and to resolve other issues."

She was addressing a meeting of the members of Multan Chamber chaired by Khawaja Jalaluddin Roomi its President. The meeting was also attended by the Dr Ijaz Ghani, Dr Idrees Khawaja and Dr Musleh-uddin of Pakistan Institute of Planning, Development and Economics (PIDE). She said that Pakistan Resident Mission provides the primary operational link for activities between ADB and the government, the private sector, civil society stakeholders and development partners.

The resident mission engages in policy dialogue, country partnership strategy development and programming, and portfolio management, while also acting as a knowledge base on development issues in Pakistan.

President of MCCI Khawaja Jalaluddin Roomi said that Government should develop an Industrial park near Multan under CPEC project to help tackle the issue of unemployment, poverty, backwardness and deprivation of this area. He said that there was dire need to provide infrastructure, potable water, Educational and health facilities besides job opportunities.

He suggested that an Industrial park at a distance of 20 km be established in Multan like Sheikhpura. He said that Prime Minister should send Federal Minister for Planning, Chairman PPIT and Secretary Industry to visit Multan Chamber for interaction with local industrialists and businesses. He offered a joint venture with Chinese investors in different fields. He also threw light on the problems faced by the agriculture sector.

Representatives of different committees including Anwar Saleem Keen, Khawaja Muhammad Usman, Suhail Mehmood Haral (PCGA Senior Vice Chairman), Mumtaz Ahmed Khan, Mian Shafi Anis, Aurangzeb Alamgir and Muzaffar Khan Khakwani shed light on the problems faced by the Industries, factories, traders and said that economic development was not possible without resolving energy crisis once and for all and improving the economy.

They stressed the need for change in the mindset of the bureaucracy and other government officials and the introduction of one window operation for the new investors.

They suggested that Government should provide a relief to tax-payers by expanding the tax-net and exploring the new tax-payers; there should be a facility of copy rights for the artists, craftsmen and skilled workers. They further said that Exhibition & Expo centres be established in Multan to showcase their products.

http://fp.brecorder.com/2017/03/20170327158406/

DAR REVIEWS PROGRESS ON ECONOMIC REFORMS
Dawn, March 28th, 2017

ISLAMABAD: Finance Minister Ishaq Dar on Monday reviewed the progress of economic indicators and reforms.

The meeting was held in the context of Article IV consultations between Pakistan and International Monetary Fund (IMF) which will be held in Dubai on March 28, 2017, a press release said.

The finance minister will join the Pakistani delegation later to participate in the final stage of the consultations.

The finance secretary briefed the meeting regarding the preparations for the week long consultations.

He also provided an update on measures undertaken for strengthening the reforms process. The finance minister expressed hope the two sides would have constructive discussions.

He said reforms have enabled the country to achieve macroeconomic stability. The implementation of key structural reforms needs to be continued in order to foster higher, more inclusive and sustainable economic growth, he added.

The meeting was attended by senior officials of the ministries of finance, water and power, petroleum and natural resources, Aviation Division, Federal Board of Revenue and the Privatisation Commission.

It may be recalled the IMF Executive Board completed the 12th and final review of an Extended Fund Facility (EFF) programme for Pakistan last September which led to the disbursement of the final tranche.

IMF's close engagement with Pakistan is continuing through policy dialogue in the context of regular consultations and post-programme monitoring.

During the consultations in Dubai, a detailed review of reforms carried out by Pakistan in different areas of the economy, particularly in the energy sector, would be undertaken.

https://www.dawn.com/news/1323237

PAKISTAN'S POLICIES DO NOT SUPPORT ECONOMIC GROWTH
The Express Tribune, March 28th, 2017.

LAHORE: Pakistan's policies do not support its economic growth and the country must institute widescale reforms as growth can be achieved by ensuring a robust macro-economy, policies that stimulate investment and better governance, said a report launched by the Institute for Policy Reforms (IPR) on Monday.

Economic growth is the key to creating more jobs, providing better living standards and reducing poverty.

An increase in economic gap with other countries could affect Pakistan's regional position, the report said, explaining how high-growth economies transformed their nations through favourable policies.

In 1960, South Korea had a gross domestic product (GDP) per capita three times that of Pakistan. Today, its per capita income is 22 times more.

"Business as usual is no longer an option. Each year an additional two million people enter the job market and by 2030, Pakistan's population will touch 260 million, more than half of which will be in cities," the report said.

According to the findings, Pakistan does not generate enough savings for investment in future growth. There is major infrastructure deficit and low private investment, while spending on worker skills, education and other human needs is paltry.

The macro-economy does not support growth. These factors have locked the economy in a low or moderate growth trap. Pakistan's small manufacturing sector produces low value-added goods and contributes just 14% to the GDP. Governance often burdens businesses, political economy favours the influential and resource allocation is inefficient.

The report also offered a plan for reforms. To begin with, Pakistan must increase government revenue to enable it to provide public goods and reduce external borrowing. Steps are needed to increase domestic savings.

High growth economies consistently invest over 25% of GDP, including 7% in infrastructure. They spend another 8% on health and education.

Pakistan too must aim for investment of at least 25% from the present 15% of GDP. It must increase the share in GDP of export-oriented manufacturers to become part of the global value chain.

Public investment must focus on high-priority projects in the areas of power supply, transmission, distribution and water storage and efficiency.

It must also strengthen agriculture research and extension services. Investment in skills and education must increase, the report said.

Urban centres are important drivers of growth, hence, to promote economic activity, they must have reliable power, gas and water supply, mass transit systems as well as high-class Wi-Fi. Air, sea and dry ports must be brought up to global standards.

The report said an export-oriented trade policy would stabilise the external account. Of special importance are transit trade and border facilitation.

"The tariff structure must support export-led growth. We need to attract FDI in export sectors."

The IPR report suggested that the government should review its power policy to improve the energy mix and the generous incentives to investors.

It must also reduce line and billing losses. Businesses need to have reliable power supply at competitive rates. Acquisition of land for productive purposes must be made easy for businesses and development organisations.

Availability of trained workforce is the difference between a firm's success and failure, stated the report, adding the government must cooperate with the industry for skills development.

It should set aside the needed financial and organisational resources. Present set-up needs a complete overhaul.

https://tribune.com.pk/story/1367203/pakistans-policies-not-support-economic-growth/

ECONOMIC ENVIRONMENT IS CONDUCIVE FOR GROWTH: SBP
Dawn, April 1st, 2017

KARACHI: The overall economic environment continues to remain conducive for growth on the back of accommodative monetary policy, increase in development spending and the China-Pakistan Economic Corridor (CPEC)-related activities, the State Bank of Pakistan (SBP) said on Friday.

In its second quarterly report for 2016-17 on the state of the economy, the SBP said the improvement in investors' confidence is reflected in an uptick in private-sector credit, especially for fixed investment purposes, foreign interest in Pakistani companies and increased production of consumer durables.

Similarly, a surge in the import of machinery and raw materials also points to a robust industrial activity and build-up of future productive capacity. According to the report, growth in large-scale manufacturing (LSM) recovered in the second quarter with an increase in the production of food, cement, steel, pharmaceuticals, automobiles and electronic industries.

Growth in the agriculture sector is also expected to rebound on account of higher production of cotton, sugarcane and maize and increased prospects for wheat harvest. The report highlights that the current account deficit has almost doubled compared to the last year. This was due to a surge in growth-inducing imports along with non-realisation of the Coalition Support Fund (CSF) and a decline in exports and remittances.

The report acknowledges that foreign inflows — foreign direct investment (FDI), loans and sukuk issuance — were little more than sufficient to finance a higher current account deficit. The report highlights the need to contain the current account deficit to manageable levels to sustain external sector stability.

It also notes that fiscal deficit has increased due to low revenue generation amid higher development and security-related spending. While it terms the sustained increase in development spending commendable, it also underscores the need to enhance revenue collection.

The report shows that average CPI inflation has risen from 2.1 per cent in the first half of 2015-16 to 3.9pc in the comparable period in 2016-17, which reflects higher domestic demand and an increase in global commodity prices. However, it highlights that on a year-on- year basis CPI inflation has fluctuated in a narrow range during this period.

The report expects growth to maintain the upward trajectory while inflation is likely to remain below the target in 2016-17.

https://www.dawn.com/news/1324083

KYRGYZSTAN ENVOY CALLS FOR MORE ECONOMIC COOPERATION
The Express Tribune, April 2nd, 2017

LAHORE: Ambassador of Kyrgyzstan to Pakistan Erik Beishembiev said Saturday that both countries should identify new sectors of the economy for cooperation and introduce new tradable items to boost mutual trade.

Talking at the Lahore Chamber of Commerce and Industry (LCCI), Beishembiev said the promotion of foreign direct investment was the top priority of the present government

“Investing in Kyrgyzstan is safe, profitable and easy,” he said in the presence of LCCI Senior Vice President Amjad Ali Jawa. “The main factors for this are the liberal trade regime, full protection of investments, unlimited repatriation of profits, currency exchange freedom, low business costs, an educated workforce and direct access to state authorities.”

The ambassador added that Kyrgyzstan attaches great importance towards the development of economic cooperation with Pakistan. “The existing trade volume between both countries does not correspond to their respective potentials. There is a dire need to take sector-specific measures to promote two-way trade,” he said.

“We have been talking about exploiting the untapped potential of trade in the Central Asian Republics, but no significant results have ever been produced,” he said. “The main issue is to transport the tradable items in the region. However, once China-Pakistan Economic Corridor gets fully operational, it will become much convenient for the countries to explore each other's markets on a regular basis.".

https://tribune.com.pk/story/1371880/kyrgyzstan-envoy-calls-economic-cooperation/

NEWS COVERAGE PERIOD FROM MARCH 20TH TO MARCH 26TH 2017
PAKISTAN'S CURRENT ACCOUNT DEFICIT WIDENS 121%
The Express Tribune, March 21st, 2017.

Farhan Zaheer

KARACHI: Pakistan's current account deficit widened 121% during the first eight months (July-February) of the ongoing fiscal year, standing at $5.473 billion compared to $2.482 billion in the same period of previous year, according to data released by the State Bank of Pakistan (SBP) on Monday.

The monumental increase in the deficit suggests that the government has been unable to manage the balance of payments position over the medium and long run.

With the difference between exports and imports being the biggest determinant of current account balance, a deficit or surplus in the current account reflects whether a country is a net borrower or net lender with respect to the rest of the world.

However, according to experts, there are many positives in the present situation because Pakistan's economy is being currently led by investments instead of consumption. The country is experiencing more outflows than inflows owing to the ongoing construction phase of the China-Pakistan Economic Corridor (CPEC), which needs heavy and sophisticated machinery for swift work.

Experts believe the situation will change once CPEC starts producing positive returns for the economy.

Pakistan's current account deficit in fiscal year 2015-16 stood at $3.39 billion. However, the gap in the first eight months (July-February) of the current year has already widened 61% compared to the entire last year's level.

As a percentage of gross domestic product, the current account deficit rose to 2.6% in the first eight months of 2016-17 as opposed to 1.3% in the same period of last year.

In the same eight-month period, Pakistan exported goods worth $14.05 billion compared to exports valuing $14.34 billion in the comparable period of 2015-16, reflecting a year-on-year decrease of 2%.

However, total imports were valued at $29.45 billion as opposed to $26.47 billion in the comparable period of 2015-16, a significant increase of 11.25%. Balance of trade in both goods and services at the end of first eight months was recorded at negative $17.38 billion compared with the deficit of $13.94 billion in the same period of previous fiscal year.

Worker remittances amounted to $12.36 billion in July-February of 2016-17, down 2.52% from the same period of previous fiscal year, when they totalled $12.68 billion.

Remittances make up almost half of the import bill of Pakistan and cover the deficit in trade of goods accounts. Some experts believe that the slowdown in remittances is a worrying sign for the country because they are under pressure due to global economic slowdown.

Moreover, Pakistan has also been facing low levels of Foreign Direct Investment (FDI) in recent years.

In February 2017, FDI decreased 21% to $123 million compared with the same month of previous year when it amounted to $155 million. Cumulative FDI increased 6% to $1.285 billion in the first eight months of the ongoing fiscal year, compared with $1.212 billion in the same period of previous year.

According to the Board of Investment, Pakistan received a record high FDI of $5.4 billion in fiscal year 2008, but since then the country is struggling to touch even half of the milestone.

https://tribune.com.pk/story/1360953/pakistans-current-account-deficit-widens-121

‘PAKISTAN AN ATTRACTIVE DESTINATION FOR INVESTORS’
Dawn, March 25th, 2017

ISLAMABAD: Pakistan is an attractive destination for foreign investors as it facilitates and protects their financial returns, Prime Minister Nawaz Sharif said on Friday.

He said this in a meeting with Iftikhar Aziz, president of Pakistan-Sri Lanka Friendship Trade and Investment Association. Mr Aziz was given Tamgha-i-Khidmat by President Mamnoon Hussain on March 23.

The prime minister recalled his meeting with his Sri Lankan counterpart, Ranil Wickremesinghe, on the sidelines of the World Economic Forum early this year and said both the countries could collaborate to achieve the objectives of the South Asian Association for Regional Cooperation (Saarc).

Earlier, Pakistan and Sri Lanka called for breaking a stalemate in Saarc, and ruled out war between India and Pakistan as an option to sort out issues and stressed the use of corporate and industrial ties in the region to keep the forum intact despite ongoing differences.

Mr Sharif said Pakistan and Sri Lanka should also utilise the potential of their free trade agreement.

According to the State Bank of Pakistan’s data, Pakistan exported goods worth $167 million to Sri Lanka in the first eight months, i.e. July to February, of the current fiscal year. In contrast, imports from Sri Lanka amounted to $39m in the same period.

Mr Aziz, who was accompanied by the vice-president and secretary general of the association, gifted 10 corneas to the prime minister, 10 to Punjab’s chief minister and five to Khyber Pakhtunkhwa’s governor. He said he would be able to provide additional corneas in the next two weeks.

The premier congratulated Mr Aziz on receiving the award and said it pointed to the “meritorious” services for promoting friendship, trade and investment between Pakistan and Sri Lanka.

https://www.dawn.com/news/1322638

NEWS COVERAGE PERIOD FROM MARCH 13TH TO MARCH 19TH 2017
BUILDING A VIBRANT MIDDLE CLASS ECONOMY
Dawn, Economic & Business, March 13th, 2017

Jawaid Bokhari

Though still facing a fragile stability, Finance Minister Ishaq Dar says the 'primary' aim of the next federal budget will be ' higher, sustainable and inclusive growth.' This is a shift from the previous PML-N focus on 'growth with stability'.

Historical record shows that spurts of growth cannot be sustained with cyclical downturns turning more frequent and austerity policies taking precedence over ones that can push economic growth. However, it is now more widely recognised that sustainability of higher growth lies in inclusiveness.

Rooting out poverty offers an immense opportunity for economic progress unlike over concentration of capital and wealth in a few hands which is a sure recipe for an economy's slowdown or recession.

International trade is growing at a slower pace than global economic expansion and local businesses are diversifying to cater to the domestic market, particularly to serve a growing and relatively affluent middle class — helped by huge remittances from overseas workers to their families at home.

Domestic demand is also picking up because of local production and supply of innovative products, increasing bank consumer financing and CPEC-related investments.

"The government will accord top priority to well being of the people in the budget for 2017-18," says Ishaq Dar.

So far such policy statements have carried little creditability in public perception but these observations have now assumed some relevance in the context of the coming general elections since the federal government — burdened with high debt servicing costs and defence spending — has little to show for its performance on public welfare.

Well-entrenched policies can be questioned at the ballot box as seen in the case of Brexit and the electoral verdict in the last US polls. The two events point to a coming change: an effective say of the common citizen in a transforming world.

Though the situation in Pakistan is different from that of the US and the UK, it cannot totally escape the emerging international trend. The government needs to not only stay focused on improving its standing with the international lending and credit agencies but it also needs to build bridges with many of the country's frustrated common citizens.

Of course PML-N's electoral victory, in the most populated province, in the next polls would be dependent more on the Punjab chief minister's performance (after the recent financial, legislative and administrative devolution) than what Mr Dar can deliver.

The PML-N's best contribution would be to normalise the country's relations with neighbouring states so that national security spending can be reduced and social and economic uplift can be undertaken in areas cleared of militants. Mainstreaming Fata and its merger with the KP are steps in the right direction.

Setting aside the political relevance of Mr Dar's statement, and taking it as a strategy — in blending together the three elements of growth (inclusive, higher and sustainable) — to produce an overall economic and social progress does deserve to be treated on its own merit.

'Pakistan Vision 2025' puts developing human and social capital as the 'first pillar' of development to build 'a society based on 'fairness and equity'… by 'reducing the incidence of poverty and income distribution gaps'. However, "the main hurdle in implementing such a vision is that it has to be a shared one," says the State Bank annual report for FY2016.

The first Multi-dimensional Poverty Index — that measures non-income based poverty — classified 38pc of the country's population as 'multi-dimensional poor' that , according to the SBP report, requires 'multiple policies', including revamping weak institutions and national ownership of Vision 2025.

While conceding that much of the social sector now lies in the domain of the not so well governed provinces and that sustained higher economic growth is not within easy grasp of policymakers, the record of pro-poor budget spending is dismal.

According to central bank data, pro-poor spending has dropped from a five-year high of 9.7pc of GDP in FY2012 to 7.9pc in 2015 and slumped to 3.8pc in FY2016.

Last year, the pro-poor budget financed community services, human development, safety nets and included administration of justice and law and order. There has been zero spending for low cost housing since 2012 and rural development in FY2016.

The spending on education and health — so vital for improving labour productivity — has been cut from 3.6pc in FY2015 to 2pc in the following year. The positive side of the picture is that unemployment has dropped from 6pc on YoY to 5.9pc during this period.

Inequities embedded in the system retard progress and upset the social cohesion as can be witnessed in the country today.

The elimination of poverty among the poorest of the poor and widening household and regional disparities constitute an over-arching issue that deserves a place in mainstream economic activity. It should not be left to be resolved by the trickle-down effect of growth.

The role of the state should be to build a vibrant and stable middle class economy.

https://www.dawn.com/news/1320014

FSC AGREES TO FIRST DEFINE 'RIBA'
The Express Tribune, March 14th, 2017

ISLAMABAD: The Federal Shariat Court (FSC) on Monday agreed to define 'interest' and 'Riba' after resuming the hearing of a case on which it delivered a verdict 25 years ago.

The four-judge bench of the Shariat Court is headed by Justice Riaz Ahmad Khan.

In 1992, the FSC had termed 'Riba' repugnant to the injunctions of Islam in a case filed by the Jamaat-e-Islami (JI).

Later, hearing an appeal against the decision in 1999, the Supreme Court's Shariat Appellate Bench upheld the FSC ruling, asking the then government to amend all banking laws and other statutes, prohibiting Riba, within two years.

However, the government and some banks filed a review petition before the Supreme Court.

In 2002, the case was referred to the FSC by the Supreme Court to reconsider its ruling, which had declared interest or 'Riba' unacceptable. The apex court also directed the FSC to solicit input from contemporary jurists from the Muslim world. The matter has been pending before the FSC for the past 15 years.

On Monday, the FSC observed that the court will first define 'Riba' and 'interest' before deciding on its jurisdiction in this matter.

During the hearing, JI's counsel Qaisar Imam and Dr Fareed Paracha appeared before the court.

Dr Muhammad Anwar, who is amicus curiae in the case, stated that the court should first define 'Riba' and 'interest' before issuing any ruling.

Agreeing with this proposal, the court adjourned the case for 15 days.

Last year, the State Bank of Pakistan (SBP) on October 29, 2015 had informed the FSC that the Constitution did not explicitly define 'interest' or 'Riba'.

Salman Akram Raja, the counsel for SBP, had contended before the Shariat Court that the Constitution specifically mentioned eliminating interest, but did not define either 'interest or Riba'.

He also explained that the economy thrived on financial instruments, including taxes and loans, and that the country, in its economic interest, should stay connected with the global financial system.

https://tribune.com.pk/story/1354567/25-years-fsc-agrees-first-define-riba/

PAKISTAN TO BE AMONG 25 BIG ECONOMIES BY 2025: AHSAN
Business Recorder, 14 March 2017

Imaduddin

LAHORE: Federal Minister for Planning, Development and Reforms Ahsan Iqbal said on Tuesday that Pakistan would be among 25 major economies of the world by 2025.

Addressing a function, organised by the International Marketing Congress at a local hotel, he said that by year 2030, Pakistan would be among top 20 economies.

The minister said that in the 21st century, Asia has an eminent role to play in the global economy, as it will become the engine of growth with over 50 per cent contribution to world's gross domestic product (GDP).

Ahsan Iqbal said that Europe is a big market for Asian economy, as it could get optimum benefit from the China-Pakistan Economic Corridor (CPEC) project, adding that geographically Pakistan is very important in CPEC and it is going to become the engine of growth for three billion population of the region.

The minister said that CPEC was a reality that is equally beneficial for Pakistan and China. He asserted that China's vision is 'One Belt-One Road', while Pakistan is focused to get full advantage by utilising all land and sea routes under its Vision 2025. In near future, Pakistan would become a hub of trade and commerce activities of the entire region.

With the Gwadar Port becoming operational, he said that the construction of airport, establishment of free industrial zones and other developmental works would be completed, and Gwadar would become a leading small port city in the world within the next 20 years.

In 2013, when the Pakistan Muslim League (PML-N) came into power, he added, Pakistan was facing serious energy crisis and the government prioritised the energy sector and immediately initiated long-, medium- and short-term projects by exploiting all resources i.e. water, coal, gas, solar, wind, alternative and bio-gas etc. These projects have now started generating electricity and reducing load-shedding duration, he said and added that no country could make progress without having adequate energy infrastructure to cater to its industrial needs.

The PML-N government, he said, also focused on infrastructural development which is prerequisite to progress and prosperity, asserting that rail and road connectivity is being improved. He said that rail track is being upgraded from Landi Kotal to Karachi and within the next few years, train would attain 180-kilometre per hour speed on this track. Fibre optic cable is also being laid from China to Pakistan for data connectivity and it would connect Pakistan with the fastest internet communication system, he added.

Under industrial development, Ahsan Iqbal said that nine industrial zones would be established in all the four provinces, AJK and Gilgit-Baltistan, which will create millions of job opportunities.

http://www.brecorder.com/2017/03/14/339139/pakistan-to-be-among-25-big-economies-by-2025-ahsan/

ONCE HIT BY TERROR: BALOCHISTAN BECOMING 'ECONOMIC TIGER OF PAKISTAN'
The Express Tribune, March 17th, 2017.

Prime Minister Nawaz Sharif on Thursday said Balochistan is fast becoming a centre of development for the rest of the country.

"Once hit by terrorism, this province is now witnessing development to change the fate of the country and itself," the premier said while addressing a public gathering in Gwadar on Thursday.

"Pakistan will soon become an Asian tiger while Balochistan will prove to be the country's economic tiger soon," he added.

Countries cannot prosper without education, health and trade and these cannot take place without building infrastructure and roads, Nawaz said in a thinly veiled jibe at his political rivals.

Nawaz announced to allocate Rs1billion to build a university, a state of the art 300-bed hospital and an exemplary university for the people of Gwadar. "500 acres of land has been acquired to build the university," he added.

Gwadar, he added, is being linked with China through 100-kilometre of road links and highways. "The city will be turned into a model port," PM remarked. He said that road links are also being established in areas of the province hit by terrorism. "Roads are also being built and improved in the rest of the country."

"We will provide five million gallons of clean drinking water to Gwadar while Rs1billion will be spent to improve the sewerage system in the city."

"No one paid attention to Gwadar during 1993 and 1997," the premier said. He added that the incumbent government was now initiating projects that the city deserved.

The people of the province, he added, will be provided with free health cards which will enable them to avail free of cost treatment across the country.

"Moreover, 50 outstanding students of the city will get admissions in prestigious varsities of the country." Nawaz also announced to send 50 students to China to learn Chinese language.

https://tribune.com.pk/story/1357566/hit-terror-balochistan-becoming-economic-tiger-pakistan/

TATARSTAN AND PAKISTAN EXPLORE ECONOMIC OPPORTUNITIES
Dawn, March 19th, 2017

LAHORE: Punjab and Tatarstan on Saturday agreed to promote bilateral relations in various fields including skill development, petro-chemical, industry, mines, agriculture, livestock, tourism and sports.

A discussion was held at a meeting between Tatarstan President Rustam Minnikhanov and Chief Minister Shahbaz Sharif.

The meeting also constituted a joint committee to identify different sectors for promoting cooperation between Punjab and the Republic of Tatarstan.

The foreign visitor commended the development vision of Prime Minister Nawaz Sharif and Chief Minister Shahbaz Sharif.

He said Punjab had welcomed him with an open arm and "we will promote regional cooperation on solid grounds."

The president said it's absolutely incorrect to link terrorism and fanaticism with Islam. "Islam teaches peace and brotherhood. We will work to eliminate terrorism."

He invited Chief Minister Shahbaz Sharif to his country and expressed hope that more important developments would be made for extending cooperation in different sectors.

The chief minister, who spoke the Russian language on the occasion, said he was heartily pleased to welcome the president of Tatarstan.

He said tremendous potential was available for cooperation in agriculture, livestock, skill development, mines and other sectors in Punjab.

The chief minister said he would visit Tatarstan in June.

He also spoke to the Punjab-Tatarstan Business Forum and reiterated that strong opportunities exist for promoting bilateral economic cooperation. Inviting the Tatarstan investors, he said Pakistan and Russian Federation had economic relations for the last many decades and trade is carried out through barter system.

"I invite the investors of Tatarstan to Pakistan, especially Punjab, and we will provide them all opportunities.

The investors should sit with local businessmen and develop a roadmap for further promoting bilateral ties. Punjab has vast opportunities of investment due to its strong infrastructure," the chief minister said.

He said as a result of $54 billion investment under the China-Pakistan Economic Corridor (CPEC), trade and economic activities have gone up and can help promote ties with Tatarstan and Russian Federation.

Punjab Finance Minister Ayesha Ghous-Pasha presented the address of welcome and gave details of facilities for foreign investors as well as opportunities of investment in Punjab. The head of Tatarstan's trade agency, Ms Taliya Minullina spoke about prospects of cooperation in different fields.

An agreement was signed between the Lahore Chamber of Commerce and Industry and Tatarstan Chamber. Similarly, an MoU was signed for cooperation in IT.

https://www.dawn.com/news/1321426/tatarstan-and-pakistan-explore-economic-opportunities

NEWS COVERAGE PERIOD FROM MARCH 6TH TO MARCH 12 TH 2017
THE REAL SIZE OF PAKISTAN'S GROSS DOMESTIC PRODUCT
The Express Tribune, March 6th, 2017.

Shahid Javed Burki

Pakistan is much richer than what it and the world believes it to be. Picking up on the theme with which I launched this series of articles last week I will today suggest how a short-cut could be taken towards developing a more robust system of national income accounting. Finance Minister Ishaq Dar and I met in Islamabad a few days ago to discuss the important subject of improving Pakistan's data-gathering infrastructure.

I suggested in this space last week that our policy makers are taking decisions in "statistical darkness." Considerable amount of work needs to be done to admit light into the processes used to collect and analyse data on different aspects of the economy.

Pakistan could seek help to improve its system. It could, for instance request the World Bank that has considerable amount of expertise in this area to provide assistance. Over the years it has aided many countries that were faced with the same problem that Pakistan must deal with today.

For instance, in the early 1990s, when I was Director of World Bank's China Operations, I convinced Beijing to overhaul its system of national income accounting and come up with new estimates of the country's gross domestic product and income per head of the population.

The authorities agreed and we dispatched a team of experts to help Beijing improve the statistical system and work out the new numbers. This was done and the Bank's work indicated that China had been underestimating its gross income by as much as 25 per cent. I believe that Pakistan is under-counting its GDP by the same order of magnitude.

Following our discussion, Minister Dar and I met with a team of experts from the Islamabad office of the World Bank. The officials endorsed our impression: Pakistan was perhaps under-estimating the size of its gross domestic product. Some of the methods the country was using and the surveys that collected the needed data were seriously outdated.

But the Bank people believed that it would take about a year before the entire system could be over-hauled. Should we have to wait that long; is there a way of coming up with an order of magnitude about the size of the Pakistani economy?

My view is that this could be done by using consumption data to roughly estimate the economy's size. Good quality data are available on some of what the economy uses to produce the final product.

We know how much cement and steel are used, how much petrol and diesel are burnt every year, the quantities of food grains people consume. Converting these data into consumption per head of the population for these critical inputs would provide us with a number of coefficients that could be compared with those of the countries that are similarly situated as Pakistan.

Using the data from India and Bangladesh, we could estimate the size of the Pakistani economy. Growth in consumption over time will also provide us with estimates of the rate of growth in GDP. A

25 per cent upward adjustment in the estimate of GDP will bring 2017 Pakistani income from $280 billion to $350 billion, improving its world ranking from 43rd to 31st. Included in the countries it will cross will be South Africa, Singapore, Malaysia and Egypt.

There is one other way of reaching a higher number for the country's gross domestic product. I believe — and the government's experts agree — Pakistan is seriously under-counting the size of the urban population.

The old census data that misqualified a number of urban areas as rural, places the proportion of those living in towns and cities at only 35 per cent. This means that 70 million of the current population of 200 million is urban. However, if the proportion is much higher — say 55 per cent — we are miscounting some 40 million people as rural rather than urban. The productivity of the urban population is much higher compared to those that live in the countryside.

I estimate that urban per capita income as twice as high as rural: $2,000 per head for urban and $1,000 for rural. If the number of urban people is 40 million more people than this alone would mean that the country's gross domestic product is at least $40 billion larger than the official estimate — $320 billion rather than the estimated $280 billion for early 2017.

Another adjustment comes into the picture via the structure of the economy. I believe that Pakistan is not correctly estimating the size of its modern services — in particular information, communications, entertainment, travel and advanced commerce.

All these sectors contribute much more to the economy than suggested by official numbers. Once these corrections are made the policymakers in both Islamabad and the provincial capitals will have a better idea where to focus their attention.

Upward adjustments will result in one other somewhat subtle change in perception. Economists correctly believe that confidence in the future is a good determinant of the amount of investment that is made in the economy.

Just by presenting a picture of the economy that is closer to reality would result in improving the confidence of both domestic and foreign investors. Rather than viewing it as a fragile and failing state, the community of investors will begin to see it as a rapidly urbanising and modernising economy.

https://tribune.com.pk/story/1346902/real-size-pakistans-gross-domestic-product/

'PAKISTAN, IRAN ON VERGE OF ESTABLISHING STRONG ECONOMIC TIES'
Dawn, March 9th, 2017

ISLAMABAD: A major parliamentary push is being planned to compel Islamabad and Tehran to overcome the internal resistance in their countries to greater bilateral economic engagement and revitalising of relations.

This was disclosed by Chairman of the National Assembly's Foreign Affairs Committee Awais Leghari. He recently visited Iran to attend a conference on whose sidelines he held discussions with Speaker of Iranian Majlis Ali Larijani, Chairman of the Committee for Foreign Policy and National Security of the Islamic Consultative Assembly of Iran Allaudin Boroujerdi and other officials.

Mr Leghari was particularly encouraged by Iranian officials accepting his request for lifting a ban on import of kinnows from Pakistan after six years. Although the restriction has been relaxed for two months, Mr Leghari hopes to get it permanently removed.

“A delegation of the National Assembly’s Foreign Affairs Committee will visit Iran in May for talks with the Committee for Foreign Policy and National Security of the Islamic Consultative Assembly,” he said, adding that the discussions would be aimed at forging a joint strategy of the two committees for pushing their respective governments to develop economic ties. He said the intention was not only to develop recommendations but also to pursue their implementation.

The two parliamentary committees would then jointly visit Chabahar and Gwadar ports to emphasise that the two were not each other’s competitors.

Mr Leghari, who has convened a meeting of the NA Foreign Affairs Committee on Friday for discussion on Pak-Iran ties, said he had always been encouraged by the government to work for enhancing bilateral relationship with Tehran.

Talking about the mood in Iran, Mr Leghari said he felt a great appetite there for expanding economic ties. He, however, admitted that there were impediments to improvement in relations on both sides. About the factors that contributed to widening of the gulf between the two countries, he believed that it happened because both remained at the opposite ends of regional and global alignments for long. “Things will start moving the day both sides sit down to honestly and sincerely work for betterment of ties.”

Both sides, he observed, were now feeling “internal pressures” to engage in a big way for mutual benefit. “More pressure would have to be exerted from within the economies and people and media.”

Mr Leghari was of the view that Iran-Pakistan gas pipeline was one project whose implementation could change the complexion of the relationship. He said the project was being delayed not just because of paucity of funds, but there were other issues involved in it. Those issues, he however maintained, were not irresolvable.

Similarly, he said the agreement on border markets was not being implemented. The two countries had a few years ago agreed on setting up three border markets, which was renewed at a meeting of the border committee this month. “Establishment of border markets would improve the trade environment,” he hoped.

Iran, he said, had unfairly been blocking Pakistani agricultural projects probably for using it as leverage. Moreover, absence of banking arrangements was a major factor inhibiting trade.

Tourism, he believed, was one other area which had a lot of scope for cooperation.

Notwithstanding these obstacles, Mr Leghari said, he was convinced that both countries were on the verge of establishing strong economic relations. Moreover, he said he was hopeful that Iran would at some stage get connected with the western route of the China-Pakistan Economic Corridor.

https://www.dawn.com/news/1319360/pakistan-iran-on-verge-of-establishing-strong-economic-ties

‘PEOPLE WANT TO GET AWAY FROM RIBA-BASED ECONOMY’
Dawn, March 10th, 2017

ABBOTTABAD: The Islamic mode of financing has grown in the last couple of years and is taking a major share from the capital market, said Zafar Abdullah, commissioner for the Securities and Exchange Commission of Pakistan’s specialised division.

Addressing as the chief guest at the opening ceremony of Islamic Finance Centre, he said a forceful and scientific campaign should be launched to create awareness among the general public through print and electronic media and academies.

Small and medium enterprises could be the major beneficiary of the modaraba and other Islamic equities, he stressed.

The event was arranged by non-banking financial institutions and the Modaraba Association of Pakistan, and was attended by office-bearers of traders’ associations, Small and Medium Enterprises Development Authority, potential investors, bankers and officials of modaraba companies.

Mr Abdullah said businessman should tap the halal food market to run small- and large-scale set-ups with the help of modaraba companies.

He informed the participants that the capitalisation of Islamic financing has grown from 12 per cent in 2012 to 37pc, which indicated that the public preferred to get away from a riba-based economy.

https://www.dawn.com/news/1319442

NEWS COVERAGE PERIOD FROM FEBRUARY 27TH TO MARCH 5TH 2017
KP, FATA MAY LOSE $27M IN DONOR FUNDS, WARNS WORLD BANK
Dawn, February 27th, 2017

Ikram Junaidi

ISLAMABAD: The World Bank has warned Khyber Pakhtunkhwa Governor Iqbal Zafar Jhagra that KP could lose at least $27 million meant for economic revitalisation of the province and tribal areas, if the government does not approve the project concept (PC-1) for two key donor-funded projects.

The Multi-Donor Trust Fund (MDTF) is one of the largest donor pools created to fund reconstruction and rehabilitation efforts to help secure livelihood for families affected by the military operations carried out in 2009 and onwards.

If the PC-1s for the Economic Revitalisation of KP and Fata (ERKF) and the Rural Livelihoods and Community Infrastructure Project (RLCIP) are not approved immediately, the World Bank has warned in a letter, staff and resources will be issued one-month termination notices on Feb 28, in anticipation of their closure on March 31.

The letter, written by World Bank Country Director Patchamuthu Illangovan, also points out the political wrangling that has marred the projects and informs the governor that terminated staffers have already sought a temporary stay order from the court.

The governor has been requested to give his personal attention to the approval of the PC-1s of these projects so that the funds earmarked for them by the World Bank could be processed.

Failure to do so will lead to the withdrawal of funding, depriving “temporarily displaced persons and crisis-affected economic centres, which are critical for job creation and restoration of livelihoods” of much-needed finances, the letter warns.

The MDTF for KP, Fata and Balochistan, which was established in August 2010, is administered by the World Bank and supported by over a dozen donor countries – Australia, Denmark, the European Union, Finland, Germany, Italy, Netherlands, Norway, Sweden, Switzerland, Turkey and the UK.

An official at the Fata Secretariat told Dawn on condition of anonymity that three projects were currently financed under the MDTF. The ERKF gives cash grants for crisis-affected businesses, such as marble factories, while the RLCIP helps improve livelihoods of marginalised and low-income communities in Fata. The third is a Governance Support Project meant for capacity building of government officials.

“The services of 64 ERKF and RLCIP officers were terminated in Dec 2016, but since their contracts lasted until March 2017, they have sought a stay order from the Peshawar High Court,” the official said.

Due to political wrangling, the PC-1s, which were to be approved in August or September 2016, have been put off and there are fears that the projects, which have another two to four years to go, could be shuttered prematurely.

Talking to Dawn, Fata Secretariat Director General (projects) Islam Zeb confirmed the receipt of the World Bank letter, but insisted that the issue was not as simple as it seemed.

“The first phase of the project ended in 2014 and since then, we have been requesting the World Bank to release the funds for the second phase. Due to the delay, we failed to pay the staff salaries and had to terminate their services, but they went to the court and sought stay orders,” he said.

“It has been decided that the PC-1s will be approved during the March 9 meeting of the Fata Development Working Party (FDWP) and sent to the World Bank,” he added.

Mohammad Zahoor, who leads the MDTF’s Governance Support Project in Fata, told Dawn that both PC-1s would have been approved on Feb 16, but were delayed due to certain amendments.

“We have added some water supply schemes and other projects for community welfare and now it is expected that the PC-1s will be approved on March 9,” he said.

In an email response to a set of questions asked by Dawn, World Bank’s communications officer Mehreen Saeed said: “The World Bank regularly communicates with federal and provincial governments and state institutions on its programme[s]. This includes the Fata Secretariat with whom we closely collaborate to assist the people of the area. The implementation of livelihood activities is an important priority, including its acceleration through swift decisions."

Fata Additional Chief Secretary Fida Wazir could not be reached for comment, despite several attempts.

https://www.dawn.com/news/1317286/kp-fata-may-lose-27m-in-donor-funds-warns-world-bank

PAKISTAN GETS $4.6B IN FRESH FOREIGN LOANS
The Express Tribune, March 2nd, 2017.

Islamabad: In order to offset declining foreign currency reserves and meet external debt obligations, Pakistan obtained fresh foreign loans worth $4.6 billion over the past seven months, including $1.9 billion from China alone.

The foreign economic assistance stood at $4.57 billion between July and January of this fiscal year, according to the data compiled by the Ministry of Finance and Economic Affairs. These included borrowings amounting to $2.3 billion for budgetary and balance of payments support – areas that do not offer return on investments and make it difficult to repay loans without resorting to additional borrowings.

The $2.3 billion borrowings include $1 billion in Sukuk Bonds, which were floated by pledging the Lahore-Islamabad Motorway and $1.2 billion from foreign commercial banks. Both these loans were aimed at meeting the needs of budget financing and foreign currency reserves.

The $4.6 billion foreign loans were about 57 per cent of the annual economic assistance of $8 billion that the government projected it would receive during the current fiscal year 2016-17.

In September last year, Pakistan obtained $700 million from China Development Bank for meeting balance of payment requirements. It negotiated another $600 million loan with China for meeting the budgetary and balance of payment requirements. Of this, the Industrial and Commercial Bank of China disbursed $300 million last month, official documents showed.

The quantum of loans from China is growing far rapidly than its investment under China-Pakistan Economic Corridor (CPEC).

In total, Pakistan obtained loans worth $1.9 billion from China between September 2016 and January 2017. Of the total, $1 billion were obtained on commercial terms while $857 million were for project financing.

The project financing should be the preferred option, as this would improve the repayment capacity due to returns on these investments.

Research done by Dr Kaiser Bengali, a noted economist, showed that foreign loans were only productive when utilized for asset-building. He argued that as long as the rate of return was at least one percent higher than the cost of borrowing, foreign debt did not create problems in debt management.

However, most fresh borrowings are meant for budget financing needs, which adds burden on the government. During the past seven months, half of the federal government borrowings were for budget financing.

Pakistan has been resorting to such borrowings to meet external debt and trade related payments obligations. The country will have to return $6.5 billion principal public debt to external creditors in the next 15 months alone, according to the Finance Ministry.

After hitting a peak of $19.5 billion, SBP's official foreign currency reserves slipped to $17 billion mainly because of a reduction in exports and remittance receipts and increase in foreign debt repayments.

Over the past three-and-a-half years, the government faced severe criticism for acquiring expensive foreign debt and massively increasing the overall debt.

A recent report of the finance ministry also indicates that Pakistan's debt sustainability indicators worsened in the past year.

Pakistan did not receive any loan or grant from nine traditional bilateral and multilateral sources. These include France, South Korea, Norway, Oman, Saudi Arabia, Organisation of Petroleum Exporting Countries (OPEC) and European Union.

Disbursements from traditional multilateral partners also remained slow during the first seven months of this fiscal year. The World Bank released $276 million, which was 18 percent of the annual estimates of $1.53 billion. Pakistan is expecting $300 million loan from the WB in the middle of this month – but that too for budgetary support.

The Asian Development Bank (ADB) disbursed $709.8 million or 67.6 percent of the annual estimates, mainly because of $190 million adjustments of the previous years for social protection programme and $115 million for a transmission line project.

The Islamic Development Bank (IDB) has given $242 million including $212.4 million short-term expensive loan.

The United Kingdom gave $131.7 million in grant for Benazir Income Support Programme (BISP) and education projects in Punjab and Khyber-Pakhtunkhwa. The project grant from the United States stood at just $51.8 million in seven months.

After non-debt creating sources dried up and infrastructure development requirements increased, Pakistan's debt gradually surged in absolute terms. Two renowned economists, former finance minister Dr Hafiz Pasha and former director-general debt Dr Ashfaque Hasan Khan, projected that Pakistan's external debt would swell to $110 billion by 2019-20.

https://tribune.com.pk/story/1343412/declining-forex-reserves-pakistan-gets-4-6b-fresh-foreign-loans/

ECONOMIC INDICATORS EXAMINED
Business Recorder, 3 March 2017

ISLAMABAD: A meeting of the Economic Coordination Committee (ECC) of the Cabinet has approved a one month's salary of Rs380 million for the employees of Pakistan Steel Mills (PSM).

The meeting presided over by Finance Minister Ishaq Dar. Privatisation Commission submitted a summary for payment of salary to the employees of PSM for the month of November 2016.

The ECC meeting was given a briefing by Secretary Finance Tariq Bajwa on the economic indicators and was informed that the remittances have declined to US $10.946 billion during July-January 2016-17 from US $11.155 billion for the same period a year before, reflecting a decline of 1.9 per cent. However, on year-on-year basis in January, it improved by 1.5 per cent over the same month of the last year.

The Consumer Price Index (CPI), Wholesale Price Index (WPI) and Sensitive Price Index (SPI) for the month of February 2017 increased to 4.2 per cent, 5.3 per cent and 1.1 per cent respectively on account of increase in food inflation by 3.7 %, non-food 4.6%, and core 5.3%.

Stock of wheat as on February 28, 2017 was recorded 5.52 million tons, showing a sufficient quantity of local wheat for releases to mills by provincial food departments and PASSCO. The total reported stock of sugar in the country as on February 22, 2017 stood at 3.20 million tons. The stock of various POL products averaged 30 days on March 01, 2017.

The committee was informed that Large Scale Manufacturing (LSM) is continuously moving upward as in November and December the growth remained 7% over last year's. The sectors showing positive growth are iron and steel products which increased by 15.63 %; electronics, 14.35%; non-metallic mineral products, 9.31%; pharmaceuticals, 7.90%; food beverages & tobacco, 6.95%; automobiles, 6.67%; paper & board, 5.69%; fertilizers, 3.47%; rubber products 0.45% and textile, 0.14%.

The committee was informed that outlook of industrial sector is positive and encouraging as the credit to private sector saw an expansion of more than 22%.

The industrial sector is improving due to persistent growth in electricity generation and gas production as electricity generation in January 2014-15 was 8,292 MW which increased to 9,210 MW in January 2015-16 and 9,352 MW in January 2016-17.

Gas production also increased above 4,000 MMCFD in December 2016 as compared to 2015 and 2014 which was 3627 MMCFD and 3780 MMCFD respectively. The committee observed a decline in wood products, leather products, engineering products, chemicals and coke & petroleum products.

The committee noted that a negative growth in exports sector is bottoming out in January 2017 as it registered a growth of 4.6% over last year's. However, on average it declined by 1.13% whereas imports on average increased by 9.2% and on year-on-year basis increased by 28% in January 2017.

On a positive note, most of the imports are coming in machinery group showing productivity. The import of the machinery was registered at 42%, of which power generating machinery, 38%, textile, 117%, construction and mining, 101%, etc.

The Federal Board of Revenue (FBR) tax collections year-on-year has improved by 9% in January; and on average during July-January 2016-17, the tax collection improved by 7.6%.

The committee also noted an increasing trend in foreign direct investment, observing that it improved by almost 10% during July-January of the current year over last year.

The major recipient sectors were food, power, electricity, and construction.

The committee, however, showed concern over the widening of current account deficit and the chair urged to increase exports of goods and services to bridge the gap.

http://epaper.brecorder.com/2017/03/03/1-page/854665-news.html

ECO MEMBERS: DAR STRESSES GREATER REGIONAL INTEGRATION
The Express Tribune, March 5th, 2017.

ISLAMABAD: Economic Cooperation Organization (ECO) countries can achieve true economic and trade potential through greater integration and connectivity, said Finance Minister Ishaq Dar.

Talking to the heads of ECO Chamber of Commerce and Industry (ECO CCI) delegations at a meeting at the Prime Minister's office, he said that that the role of private sectors will be vital for achieving ECO's vision 2025.

Welcoming the guests, the minister conveyed felicitations on behalf of the prime minister and the people of Pakistan on conclusion of a successful ECO summit.

He said that the ECO region accounts for 16% of the world's population but only 2% of the world's trade.

"Trade and investment are the areas the ECO countries especially need to focus on and for that regional connectivity is all the more necessary."

In addition to ECO initiatives and China-Pakistan Economic Corridor (CPEC), regional connectivity is being enhanced through bilateral and multilateral agreements, he added.

Dar cited the CASA-1000, TAPI and Central Asian Regional Economic Cooperation, adding that with dedicated efforts ECO countries can achieve the objectives described in the declaration of the just concluded summit.

He said that it was necessary to ease procedures for visa facilitation, especially for the business community among ECO countries.
"Pakistan has achieved macro-economic stability and is now treading on the path of sustainable and inclusive growth," said Dar, adding that international experts have acknowledged the economic headway made by Pakistan.

"We are eyeing a GDP growth rate of 7% in another year or so and look for greater engagement with ECO countries."
https://tribune.com.pk/story/1346297/eco-members-dar-stresses-greater-regional-integration/

April 2017

NEWS COVERAGE PERIOD FROM APRIL 24TH TO APRIL 30TH 2017

TAX BREAKS FOR CHINESE WON'T HIT ECONOMY: GOVT

Dawn, April 24th, 2017

Khaleeq Kiani

ISLAMABAD: Chinese investors in the $56 billion China-Pakistan Economic Corridor (CPEC) are enjoying all sorts of tax breaks from customs, income, sales, federal excise and withholding taxes.

But despite all the tax discounts and exemptions, which amount to around Rs150 billion in lost revenue, the government is claiming there will be no adverse impact on local industries and domestic investors.

In a written reply submitted to the National Assembly last week, the finance ministry explained the series of tax exemptions or discounts offered to Chinese investors, which have been notified through statutory regulatory orders (SRO).

The SRO is a piece of statute that has been, in the past, condemned by the Pakistan Muslim League-N for being discriminatory and causing revenue loss to the state.

In his reply, Finance Minister Ishaq Dar did not quantify the financial cost of the revenue exemptions.

According to him, exemptions from levy of customs duty at import stage have been specifically designed, notified and made available to Chinese contractors for a few projects of roads, mass transit and Gwadar port.

They include exemption of customs duties on the import of plant machinery and equipment, if not manufactured locally, by the China State Construction Engineering Corporation Limited and the China Communication Construction Company for the construction of Sukkur-Multan section of Karachi-Peshawar Motorway and Karakoram Highway Phase-II (Thakot-Havelian section), respectively.

Also included in this category are the customs duty exemptions on the import of equipment and material for Lahore's Orange Line Metro Train Project. The original exemptions were notified on Jan 25 and further eased through another notification on March 6.

Similarly, customs duty exemptions were also allowed on imports to the concession holder and its operating companies for the construction, operations and development of Gwadar port and all port-related businesses established in Gwadar Free Zone.

In addition, concessions and exemptions from levy of customs duty on import of goods were already available to some early projects of Thar coal field sector, which have now been extended to CPEC projects.

Some of them include the exemption of customs duties on import of coal mining machinery, equipment and spare parts not manufactured locally, for Thar coal field.

For the power sector, a concessionary duty rate of zero per cent, 3pc and 5pc on the import of machinery, equipment and spare parts, not manufactured locally, is available for generation projects using oil, gas, coal, wind and tidal energy.

On top of that, income derived from port operations by the China Overseas Ports Holding Company Limited, the China Overseas Ports Holding Company Pakistan (Private) Limited, the Gwadar International Terminal Limited, the Gwadar Marine Services Limited and the Gwadar Free Zone Company Limited has been granted exemption from income tax for 23 years, with effect from Feb 6, 2007.

Besides, income generated by contractors and sub-contractors of those five companies from port operations has been granted income tax exemption for 23 years from July 1, 2016.

Similarly, income and interest earned by a foreign lender or a local bank — with more than 75pc government or State Bank of Pakistan shareholding — by virtue of a financing agreement with the China Overseas Ports Holding Company Limited, are exempt from income tax for 23 years with effect from July 1, 2016.

Dividends received by the China Overseas Ports Holding Company from the China Overseas Ports Holding Company Pakistan (Private) Limited, the Gwadar International Terminal Limited, the Gwadar Marine Services Limited and the Gwadar Free Zone Company Limited have also been granted income tax exemption for 23 years from July 1, 2016.

If this was not enough, exemptions from sales tax and federal excise duty have been provided on materials and equipment for construction and operation of Gwadar port and Gwadar Free Zone through the Finance Act, 2016 to the China Overseas Ports Holding Company Pakistan (Private) Limited and its operating companies, their contractors and sub-contractors. This exemption is equally available for imported and locally-manufactured materials and equipment.

Plant machinery and equipment, including dumpers and special purpose motor vehicles, imported for the construction of the Karachi-Peshawar Motorway Project and the KKH Phase-II are also exempt from income tax and sales tax.

Likewise, exemption from sales tax and federal excise duty has also been granted to machinery, apparatus, materials etc imported by the China Railway Corporation for the Orange Line project.

Rail-based mass transit projects in the four provincial metropolises have also been exempted from the provisions of Section 148 of the Income Tax Ordinance, 2001, which deals with advance income tax at the import stage.

This is in addition to exemption from income tax to interest and income derived by the Industrial and Commercial Bank of China (ICBC) and the Silk Road Fund in Pakistan from loans relating to the energy projects mentioned in CPEC Energy Projects Cooperation Agreement signed in Beijing in Nov 2014.

The finance minister asserted that since all the concessions and exemptions were subject to the condition that the imported goods were not manufactured locally, except in case of power plants above 25mw, local industry had been provided necessary cushion from the impact of imports for CPEC projects.

The ministry's response also said the income tax exemption for the income of companies, contractors, sub-contractors etc engaged in CPEC projects was not likely to impact the interests of local contractors and sub-contractors, etc.

https://www.dawn.com/news/1328853

REDUCED FEDERAL TRANSFERS TO RETARD KP'S ECONOMIC PROGRESS
Dawn, Business & Finance weekly, April 24th, 2017

Mubarak Zeb Khan

The reduced federal transfer of funds may increase Khyber Pakhtunkhwa's budget deficit to over Rs30bn this year, but the final figure will depend on the staggered disbursements of committed amounts and revenue inflows.

The province depends on the federal government for over 92pc of its revenue. In case the Federal Board of Revenue (FBR) misses the revenue target of Rs3620.8bn, the financial flows to the province will be further squeezed.

In the first six months of the current fiscal year, KP has received Rs136.785bn from the federal divisible pool as against the annual target of Rs293bn. Similarly, an amount of Rs17.704bn was received as net hydro profits and past arrears as against the total target of Rs33bn for the whole year.

An official of the KP finance department said the gap in revenue and expenditure will be bridged through non-revenue measures like earnings from tourism, selling of licenses for mines and minerals and austerity measures.

The cuts and delays in federal transfers hit the pace of progress in the province.

KP also projected collecting Rs18.17bn from provincial taxes and Rs31.4bn from non-tax revenue. In the first half year, the revenue from both accounts is Rs10.785bn.

The revenue from GST has hovered around Rs7bn for the past few years owing to capacity issues faced by the KP Revenue Authority.

The provincial government lacks an effective strategy for tapping into revenue potential from agriculture and real estate. Less than 100 people pay the agriculture income tax.

KP has also failed in curtailing current account expenditures which have soared by over 26pc in the past three years, mainly owing to revised pay scale for employees and increased number of posts in the departments of education, health, and law and order.

Official data shows that the KP government has revised upward its ADP allocations from Rs160.397bn for 2016-17 to Rs182.081bn mainly because of more allocations for district roads, highways and health facilities within the province.

Until March 31, the finance department released Rs116bn, or 64pc of the total ADP allocations. Rs27bn was earmarked for district roads and highways. Of these Rs21bn has been released by the finance department until March 2017, making it the single most important priority of the province.

The social sector received a higher allocation this year: Rs22.529bn, or 12.37pc, for the education sector and Rs19.735bn, or 10.84pc, for the health sector. In the education sector, Rs12.518bn has so far been released for elementary and secondary education and Rs3.439bn for higher education.

Of the allocation of Rs33.961bn for the 24 districts ADPs, an amount of Rs21.672bn was already released to districts until March. Besides this another amount of Rs7.511bn was received by local governments as against the total financial target of Rs11.292bn.

To complete 356 micro and medium sized hydro-power plants an amount of Rs7bn was provided until March.

The project implementation depends on timely release of the federal funds. Often funds given at the fag end of the fiscal year, result in significant cost overruns.

While the provincial development budget has increased over time, the limited capacity of the implementation agencies needs to be improved, an official said.

https://www.dawn.com/news/1328790

DAR TELLS WB OFFICIAL: STEPS TAKEN FOR SUSTAINABLE ECONOMIC DEVELOPMENT

Federal Minister for Finance & Economic Affairs, Senator Ishaq Dar has said that the government took concrete measures to bring structural changes for the sustainable economic development in country.

Apprising Vice President of World Bank (WB) for South Asian Region, Annette Dixon about the current economic situation in Pakistan here on Sunday, Ishaq Dar said WB had been a great partner in Pakistan's development. He said, “We are continuing on the path of reforms and will not make any compromise in this regard.”

The Finance Minister said that the government had established Micro Finance Company to extend micro-finance facilities to the poorer segments of society. He informed the WB team that Pakistan was one of the leading countries for ensuring financial development in the country and for this purpose a strategy had been devised which was being implemented thoroughly. He said that 10 more laws were being enacted which aimed at further facilitating the private sector.

In response to a question, about policy reforms in Pakistan, he remarked that Parliament had so far passed 24 laws to create conducive and enabling environment for growth and private sector investment.

He said that government was undertaking energy sector projects at top priority to overcome loadshedding by early 2018. Around 25000 MW projects had been identified which were at different stages of implementation, he added.

The Minister said out of this, 10,000 MW would be added in the system by March 2018 adding there had been no loadshedding in the Industrial sector for last 3 years which was a significant achievement.

He said that the present government was in the process of making a Master Plan for energy sector. The Master Plan would cater future demand of the energy of various sectors of the economy of Pakistan, he added.

He stated that the government believed in inclusive and sustainable high growth. Referring to the CPEC, Ishaq Dar said that government was giving top priority to private sector for implementing projects under the project and its own exposure would be limited. The private sector would be given preference in selecting and setting up projects under CPEC, he added.

The government had tripled the allocation for Benazir Income Support Program (BISP) since 2013 and the number of beneficiaries had increased to 5.4 million, the Minister pointed out.

Talking to the Pakistani delegation, Dixon said WB would like to work more closely with Pakistan. She appreciated the initiatives taken by the Pakistan government for putting economy on the path of sustainable economic development. During the course of discussion, Dar proposed to the World Bank to finance a major project of constructing Highway from Peshawar to Kabul for improving regional connectivity.

The World Bank has agreed in principle to finance the project. Dar also proposed that the World Bank might consider leading a consortium to finance the Diamer Bhasha Project.

http://fp.brecorder.com/2017/04/20170424172196/

MANSEHRA COUNCIL OKAYS RS8.5 BILLION REVISED BUDGET
Dawn, April 25th, 2017

MANSEHRA: The Mansehra district council on Monday unanimously approved the Rs8.5 billion revised budget for the current financial year.

The council’s unanimous nod to the budget is unprecedented.

District nazim Sardar Said Ghulam thanked all parliamentary parties for approving the budget without dissent in the ‘larger public interest’.

The main opposition party in the house, Pakistan Tehreek-i-Insaf, also voted for the budget in line with an agreement reached between and the PML-N district government on Sunday.

The nazim said the government had reduced the developmental chunk of the budget to over 20 percent and therefore, the approval of the revised budget was needed to get funds.

He said of the allocated money, Rs6.9 billion would go to the salary of employees of devolved government departments.

"We have earmarked Rs278 million for non-developmental and Rs441 million for developmental purposes in the district," he said, adding that Rs4 million had been earmarked for local funds.

The nazim said he wanted the heads of devolved departments to strictly follow the pre-monitoring mechanism for the budget in line with the government's directions.

He said violators of the order would be denied the budgetary share next year.

The nazim warned the officials not respecting the local government's representatives would be dealt with strictly.

He said the district government would give away awards to teachers and students, who had performed well up to the next August under his education vision programme.

The nazim also tabled a resolution in the house seeking the launch of a water supply scheme, which, he said was capable of ending the current crisis in the city and its suburbs.

Parliamentary leaders Malik Farooq of the PPP and Malik Naveed of the JUI-F told the council that the local government elections should never be held on party basis as it was such a forum, which worked for provision of civic amenities, but the party's tussles deprived the people of development.

https://www.dawn.com/news/1329026

DASU HYDROPOWER PROJECT: GUARANTEE FOR $350M FINANCING APPROVED BY ECC
Business Recorder, 29 April 2017

Zaheer Abbasi

ISLAMABAD: The Economic Coordination Committee (ECC) of the Cabinet has approved the government guarantee for commercial financing of US $ 350 million from the international market under the World Bank partial guarantee for the Dasu hydropower project.

A meeting of the ECC presided over by Finance Minister Ishaq Dar on Friday was sought by Ministry of Water and Power to approve the government guarantee for repayment of US $ 140 million loan – 40% of loan $ 350 million – and was informed that the World Bank will provide guarantee for the remaining $ 210 million.

The ECC also approved mark-up payments for the entire loan amount of US $ 350 million except for 3rd year of loan on which no guarantee from any agency is required.

The meeting was told that Credit Suisse, a Swiss bank, through competitive bidding has quoted the lowest internal rate of return (IRR) of 5.736% for US $ 350 million loan of 10-year tenor with an interest rate of Libor +3%, US $ swap rate of 2.40%, arrangement fee of 1.5% of the loan amount, commitment fee of 40% of the spread and capped transaction cost of US $ 250,000.

Additionally, WAPDA will also be required to pay a guarantee fee @ 0.75% per annum on the IDA partial credit guarantee (PCG) of US $ 210 million provided for US $ 350 million loan. WAPDA, as a borrower of $350 million, is responsible to repay this loan amount from hydel power sale income.

The Ministry of Water and Power stated that after lengthy deliberations with international banks along with the World Bank, it was agreed that Wapda would raise US $ 350 million upfront through the international capital market for a 10-year tenor by using PCG of up to 60%, which is US $ 210 million equivalent to four times of surrendered IDA credit of US $ 52.5 million and the remaining amount (both principal and interest) would be guaranteed by a government guarantee.

However, to provide standalone exposure to Wapda in the international capital market, the interest during the construction of 3rd year would be exclusively on Wapda's balance sheet with no guarantee.

The Ministry of Water and Power stated that the remaining Foreign Commercial Component of approximately US $ 500 million would be raised either through loan or bond in early 2018 by using the remaining partial credit guarantee of US $ 250 million ($ 460 million minus $ 210 million).

The ECC also approved the Ministry of Industries' proposal for the reduction in the imported urea price to Rs 1,000 per 40-kg bag for Kharif crop to offload surplus stock.

Sources said the proposal for a reduction in urea price was also submitted to the ECC meeting in January 2017, which was withdrawn after the meeting remarked the price reduction was not a solution.

The ECC was submitted that the disposal of imported urea at the current price of Rs 1,200 per 50-kg bag was very difficult and the ministry wanted the price of imported urea stock of National Fertilizer Marketing Limited (NFML) may be reduced to Rs 1,000 per 50-kg bag.

The ECC approved the proposal of Economic Affairs Division (EAD) for grant of exemption to Japan International Cooperation Agency (JICA) from all levies and taxes for the loan extended by the government of Japan/JICA on concessionary terms, amounting to JPY 2.665 billion (equivalent to US $ 26 million approximately), for the Islamabad–Burhan Transmission Line Reinforc-ement Project.

The main objective of the project is to improve the reliability of the national grid and meet the growing demand for electricity transmission through reinforcement of transmission lines necessary for power supply to Islamabad capital territory and surrounding areas, thereby contributing to the improvement of economic infrastructure of Pakistan.

The ECC also considered and approved the draft standard Power Purchase Agreement (PPA), proposed by the Ministry of Water & Power, which will be used as standard template for future PPAs.

The draft PPA is a tripartite agreement among Central Power Purchasing Agency, Guarantee Ltd (CPPA) on behalf of ex-WAPDA Distribution Companies, National Transm-ission and Despatch Company Limited (NTDCL) and the Power Producers.
http://epaper.brecorder.com/2017/04/29/1-page/870766-news.html
NEWS COVERAGE PERIOD FROM APRIL 17TH TO APRIL 23RD 2017
BUDGET TO BE ANNOUNCED ON MAY 26
Dawn, April 17th, 2017

Khaleeq Kiani

ISLAMABAD: The government has decided to announce the budget for financial year 2017-18 on May 26.

Talking to Dawn on Sunday, Finance Minister Ishaq Dar said the announcement of the budget had been pulled earlier because Ramazan was expected to begin on May 28, adding that preparations were being made accordingly.

Successive governments had been making commitments to announce the budget in May to provide reasonable time for parliamentary debate, but failed to do so. It will be the first time that the budget comes in the public domain before June.

In reply to a question about the rising circular debt and loadshedding at the start of summer, the finance minister said circular debt figures were being exaggerated by some quarters.

He said that under a mechanism finalised by various government stakeholders in consultations with international financial institutions like the World Bank and the International Monetary Fund, an amount of Rs320 billion was a normal phenomenon in the supply chain. “That is why we paid Rs50bn a few days ago when payables touched Rs370bn.”

Mr Dar said it was unfair to compare the Rs480bn circular debt he had cleared in 2013 soon after becoming the finance minister with normal payables and receivables at present, adding that the stakeholders — power plants and fuel suppliers — had their own credit limits and payment schedules ranging between 60 and 120 days.
“These are not all overdue payables” some people are referring to these days, he added.
Mr Dar said it was a tough decision for him to clear the entire amount in one go and bring down the debt to zero in 2013 with the support of all, otherwise the circular debt would have been Rs720bn or above by now.

He shrugged off the question whether the government would release more funds that could widen fiscal deficit during the current fiscal year in view of increasing loadshedding and problems being faced by the Pakistan State Oil. “Other ministries should also fulfil their responsibilities. This is their mismanagement,” he said without explaining whether he was referring to the water and power ministry or the petroleum and natural resources ministry or both.

The Minister for Petroleum and Natural Resources, Shahid Khaqan Abbasi, had last month alleged mismanagement by the water and power ministry, saying it had ordered oil imports without proportionate lifting of furnace oil by power plants, resulting in filling to capacity of furnace oil storages for up to 45 days coverage, lower capacity utilisation of refineries and consequent reduced supplies of transport fuels like petrol and diesel.

https://www.dawn.com/news/1327454

STATE OF THE ECONOMY
Business Recorder, 20, April 2017

While the government continues to boast about its economic achievements, independent economists are not so sure. Speaking at an Aaj TV programme, former Governor, SBP, Shahid H. Kardar said that there were clear signals that the country is heading towards another crisis and whichever party comes to power after general elections in 2018, negotiations for a new IMF programme would commence. He blamed the IMF for committing “intellectual dishonesty” for not highlighting serious challenges in the implementation of reforms in the fiscal, external and energy sectors. Pakistan’s economy was divided into two parts, with one doing well because of protection provided by the government such as the auto sector while the other was struggling to compete in the international market.

The cost of doing business in Pakistan was very high which makes the country uncompetitive in the global market as compared to other regional markets. There are various factors for a decline in exports, including exchange rate, tax structure and non-payment of GST refunds. Tax structure is burdening the productive sectors and with refunds piling up, the country cannot compete globally. Tax structure is such that only those in the tax net are being burdened. No country except Pakistan has a legal category of non-filers which sends a message to filers that they have been unwise. Speaking about the increasing size of bureaucracy, Kardar revealed that when he was the Finance Minister in Punjab, total number of departments was 22 as against 48 at present.

The observations of Shahid H. Kardar at a TV programme, in our view, make ample sense. Pakistan’s economy is certainly divided into two parts and the unprotected part is unable to compete at the global level. The output in agriculture is still heavily dependent on weather conditions and no efforts have been made to reduce this vulnerability. As most of the surveys suggest, the cost of doing business in Pakistan is certainly one of the highest. While most of the other governments provide all kinds of incentives to export industries, Pakistani officials try to create hurdles through various ways to discourage exporters and investors.

Non-payment of GST refunds continues to be a big issue despite promises by the government to settle claims, creating shortage of liquidity in the industrial sector and consuming the time and efforts of businessmen unnecessarily which otherwise could have been used in productive processes. Input costs like electricity tariffs are not only high as compared to other countries but the availability of such inputs is also not guaranteed. The government’s insistence to maintain the exchange rate at a particular level has also become a big issue in undermining the competitiveness of economy and the prospects of export growth. According to the former SBP Governor, Indian currency depreciated by 30 percent, Indonesia’s by 38 percent, Malaysia’s by 47 percent, S. Korea’s by 7 percent, pound sterling by 13 percent and Euro by 7 percent between 2012-17 while the PKR appreciated by one percent.

This shows that competitiveness of Pakistani exports has gone down over the last few years and there are no prospects of their expansion. In a situation like this, imports continue to grow and generally replace the domestically produced goods in the local market. The recent widening trade gap is a testimony to such an emerging trend. Shahid H. Kardar is also right about a separate official category of non-filers which does not exist in any other country. The creation of this category shows that filers and honest taxpayers are great fools. While the filers are overburdened and often harassed by the tax authorities, no worthwhile efforts have been made to bring the non-filers into the next net.

While most of the remarks made by Kardar cannot be disputed, his comments about the IMF seem to be overblown. To say that the IMF has been intellectually dishonest for not highlighting serious

challenges to the economy is simply too much. The fact of the matter is that the Fund has been quite vocal in indicating the weaknesses of economy and non-implementation of reforms all along.
The only problem could be that it employed language that contained mild admonitions but no strong strictures. As for going back to the IMF once again after the 2018 elections and negotiating another programme, the timetable specified by Kardar in that TV programme cannot be taken for granted. It will depend on the evolving situation in the external sector accounts and the level of foreign exchange reserves. If past is any guide, Pakistan usually approaches the IMF when its foreign exchange reserves fall to a dangerously low level.

http://epaper.brecorder.com/2017/04/20/20-page/868582-news.html

NEWS COVERAGE PERIOD FROM APRIL 10TH TO APRIL 16TH 2017
PAKISTAN MUST BREAK FROM CULTURE OF PATRONAGE
The Express Tribune, April 12th, 2017.

With the economic system in Pakistan becoming stale, overly centralised and inefficient, there was a need to revamp it and decentralise it.

This was suggested by the former deputy chairman of the Planning Commission Dr Nadeemul Haque during a lecture on his recent book ‘Looking Back: How Pakistan Became an Asian Tiger by 2050’, at the Sustainable Development Policy Institute (SDPI) on Tuesday.

Dr Haque suggested that a patterns-based system should be developed with a holistic approach.

Detailing the challenges to reforming the development sector, he pointed out that the academia in Pakistan was lacking research whereas the mainstream media too was ignoring development issues.

Moreover, he said that the government too was not supporting an inclusive discussion on national economic needs. As a result, no discourse could be developed which could have been fundamental for setting national goals and targets.
Dr Haque elaborated that the country was mired in a culture of patronage where merit and competition were two of the biggest causalities. In this regard, he said there was a need to encourage and adopt innovative thinking, leaving behind the thinking of the 1950s.
Moreover, he suggested that knowledge and scientific methods need to be encouraged in addition to burgeoning a consumer culture if we wanted to see a growing national economy.

He said that Pakistan needs to institute drastic bureaucratic reforms, decentralisation and thoughtful urban planning to cultivate real prospect of development.

Likewise, he suggested that the academia should be encouraged to shape up the research agenda if Pakistan wants to achieve real and lasting economic growth.

Earlier, SDPI Deputy Executive Director Dr Vaqar Ahmed elaborated that when the federal and provincial governments were gearing up to make their budgets, such deliberations had immense importance.

He termed them an opportunity for the government to revisit policies in the light of informed discussions on various budgetary aspects including the taxation system, pro-poor public investments in infrastructure and social sectors as well as developing a sustainable social safety net programme for children, women, elderly and marginalised groups.

Former Ambassador Shafqat Kakakhel suggested that the vision presented by Dr Haque should be made a part of Pakistan's development models while some of his suggestions should have also been included in the government's Vision 2025.

https://tribune.com.pk/story/1381076/pakistan-must-break-culture-patronage/

ECONOMIC INDICATORS SHOW UPWARD TREND: ZUBAIR
Business Recorder, 15 April 2017

ISLAMABAD: Governor Sindh Muhammad Zubair has that Pakistan economic indicators were showing upward trend due to the dynamic policies of the Pakistan Muslim League Nawaz government.

The present government after coming into power took bold decisions under the leadership of Prime Minister Muhammed Nawaz Sharif and address the issues of Karachi, he stated while talking to a private news channel. The peace in Karachi had been restored with the political decision and will of Nawaz Sharif. The Pakistan Armed forces, Rangers, and Police had played vital role in restoring peace in economic hub of the country, he added.

The decision of Karachi operation had been taken after the consensus of stakeholders.

To a question, he said that it was the responsibility of the provincial governments to take steps for improving the situation or infrastructure in their respective areas.

He said that federal government had to come forward for road infrastructure, public transport and many other projects to be completed in Karachi and other areas of Sindh.

Appreciating the Punjab government, he said that a huge amount was being utilized for education sector. He said that PML-N government after coming into power had taken all important steps for increasing GDP growth, and tax revenue.

Muhammad Zubair said that China Pakistan Economic Corridor (CPEC) would benefit all the provinces. He said that many projects under the CPEC would be completed in Sindh and Balochistan areas.

He said that Gawadar sea port, international airport, and industrial zones besides other projects would be completed to benefit the people this country.—APP

http://epaper.brecorder.com/2017/04/15/3-page/867086-news.html

NEXT BUDGET TO IMPROVE MASSES WELL-BEING, SAYS DAR
Dawn, April 16th, 2017

ISLAMABAD: Finance Minister Ishaq Dar said on Saturday that improving the well-being of the general public and addressing their needs would be the top most priority of the government in the forthcoming budget.

He was chairing a meeting here to review budget preparations, ahead of his forthcoming visit to Washington for participation in the spring meetings of the International Monetary Fund and the World Bank.

The meeting was attended by the Finance Secretary, Secretary Economic Affairs Division, and senior officials of the ministries of finance and petroleum and natural resources.

Mr Dar said the government had held comprehensive consultations with all the stakeholders and various experts during budget preparations every year, and the same was being ensured this year as well.

Referring to recent successful consultations with the IMF, the minister said the implementation of necessary economic reforms must continue with the same vigour and determination as had been done over the past four years.

He said successful implementation of economic reforms would play a vital role in achieving higher, sustainable and inclusive economic growth.

Earlier, the finance secretary briefed the minister on the status of preparations for the budget 2017-18.

He said interaction with all the stakeholders was being actively undertaken for the preparations and the prescribed timelines were being followed strictly.

The secretary also briefed the minister on the progress of various ongoing economic reforms.

https://www.dawn.com/news/1327206

NEWS COVERAGE PERIOD FROM APRIL 3 RD TO APRIL 9 TH 2017
MOVE AWAY FROM AGRICULTURE, CHINESE ECONOMIST ADVISES
The Express Tribune, April 5th, 2017.

Shahbaz Rana

ISLAMABAD: Pakistan can double its annual economic growth rate to 10% by moving away from being an agriculture-based economy, and dying Chinese industries can become an instrument to achieve this objective, professor Justin Yifu Lin, a Counselor at the influential State Council of China, said on Tuesday.

Sectors where China is losing its competitive advantage can become Pakistan's latent advantage, said the professor, also a former vice-president of the World Bank and author of 24 books. He said that light manufacturing industries that have been declared "sunset industries" in China can be relocated to Pakistan.

Pakistan has maintained a decent economic growth rate but it is still relatively poor, said professor Lin, while highlighting flaws of Pakistan's economic structure and the way forward for the economy of 200 million people.

His economic development theory gives a centre stage to the government as a facilitator aimed at overcoming externality and coordination challenges during the transformation phase.

China will move from labour-intensive to capital-intensive industry and this will free 85 million jobs that will relocate to other countries, said the professor. "China's upgrading to higher industries will leave a huge space for Pakistan to enter a labour-intensive industrialisation development phase", he added.

"Poverty is not the destiny of Pakistan," said Professor Lin while delivering a lecture on how to achieve dynamic growth at the Planning Commission.

"If Pakistan can capture this opportunity, it will be able to grow at 10% annually for 30 or more years and become a high middle income or even high income country," said Professor Lin, one of China's foremost economists.

According to Pakistani thinkers, the country's current economic structure is highly flawed, as more than half of the total national output is coming from the services sector that is not labour intensive.

Pakistan grew at 4.7% in the last fiscal year, which was not sufficient to create enough jobs to absorb the youth bulge. Its growth is job exclusive and has widened the gap between the rich and poor, according to independent economists.

The Chinese professor said that the two types of Chinese investments could come to Pakistan - infrastructure and export-oriented sectors. He said that Pakistan's businesspersons could enter into joint ventures with Chinese partners.

The private sector of Pakistan has to change its mindset as days of protectionism are over, said Ahsan Iqbal, Federal Minister for Planning, Development and Reform. Iqbal said that if Pakistan remains unable to take advantage from 85 million dying jobs in China, these jobs would shift to other countries like Vietnam and Bangladesh.

Professor Lin suggested six steps for Pakistan to indentify sectors of latent competitive advantage. The first step is to find fast growing countries with up to 200% higher per capita income or about 30 years ago had similar per capita income. He said in 1979 China's per capita income was 30% less than that of Pakistan but today Beijing's per capita income was 550% more than of Pakistan.

He said that in the next step, the government should see if some private sector firms are already in these industries and should then facilitate them by removing constraints. In step three, the government should invite foreign firms to invest in sectors where the local firms are not working.

In step four, the government should also pay attention to spontaneous self-discovery by private enterprises and give support to scale up successful private innovations in new industries.

In the second last step, Pakistan with poor infrastructure and bad business environment should set up special economic zones or industrial parks to overcome barriers to firm entry, attract foreign direct investment and encourage industrial clusters.

In the last step, the government may compensate pioneer firms identified above with tax incentive for a limited period, direct credits for investments and give access to foreign exchange.

The long-term development of China-Pakistan Economic Corridor also revolves around development of special economic zones.

Chinese industries willing to relocate to Pakistan provide excellent opportunity for Pakistan to grow at a faster pace, said Dr Ashfaque Hasan Khan, one of the leading economists of the country.

Professor Lin said that for reducing transaction cost in the infrastructure sector Pakistan needs to improve customs, roads and rail networks. He also advised that the federal and provincial authorities should listen to the foreign investors in order to address their concerns.

https://tribune.com.pk/story/1374408/move-away-agriculture-chinese-economist-advises/

PANAMA CASE VERDICT: EAGER ANTICIPATION HURTING ECONOMY: SINDH GOVERNOR
Business Recorder, 7 April 2017

Zulfiqar Ahmad & Aamir Saeed

ISLAMABAD: Amid criticism on former Army Chief General Raheel Sharif, Sindh Governor Muhammad Zubair on Thursday said that anticipation over Panamagate verdict has had an adverse impact on the country's economy.

"It's not just the stock market; even foreign investors have put their investment plans on hold due to the impending verdict," the governor said while speaking on the sidelines of the "Leaders in Islamabad" business summit.

Zubair said that sooner the verdict is announced, the better it would be for the country, adding that "the longer we wait, the poorer it will be for our economy."

To a question, he said that Gen Raheel (retd) was a normal person as well as a normal military general, adding, "Let's be fair with him — let's not make him larger than life. That will only create more problems for him."

About Gen Raheel's possible appointment as head of Saudi-led Islamic Military Alliance, he said that it is the prerogative of the former general to join the alliance as its head.

"His [Sharif's] job as chief of the Saudi-led alliance is also being seen as something extraordinary. It should be his prerogative as a normal person," he added.

The governor, who also comes from a military background, said that there was nothing wrong with the agriculture land, which he was given after his retirement.

Zubair went on to say that "100 per cent of the credit for Karachi's operation goes to Prime Minister Nawaz Sharif."

He recalled that all stakeholders had been there for years but no one played one's role for restoring peace in Karachi, adding it was Prime Minister Nawaz Sharif who initiated Karachi operation after coming into power in 2013.

"There are so many other people but again this is the difference between Nawaz Sharif and other stakeholders," he maintained.

The governor said he believed that "until the tougher political compromises were made by the premier, peace seemed unattainable." He also cited the government's crackdown on Muttahida Qaumi Movement (MQM) founder as an example of its tough stance on crime in Karachi.

"[Interior Minister] Chaudhry Nisar approved issuance of a red warrant against the MQM founder. He initiated the Imran Farooq murder trial in Pakistan. In addition, one of Nisar's main propositions to the UK authorities has been asking them to cooperate with Pakistan on cases against Altaf Hussain," he added.

"The MQM founder is now part of history, as far as Pakistan is concerned," replied the governor to a question.

"Farooq Sattar, Mustafa Kamal have all distanced themselves from the MQM founder. That is a major change," he noted.

He continued, "The only two examples we have of successful operations are the recent Karachi operation and the nationwide Zarb-e-Azb."

He said that PML-N would keep working on bringing peace to Karachi "until criminality has been totally uprooted from the city."

http://epaper.brecorder.com/2017/04/07/1-page/865214-news.html

May 2017

NEWS COVERAGE PERIOD FROM MAY 29TH TO JUNE 4TH 2017

PAKISTAN ECONOMIC SURVEY – UPS AND DOWNS

The Express Tribune, May 29th, 2017.

Finance Minister Ishaq Dar was upbeat when he was presenting the Pakistan Economic Survey on May 25, 2017. He had good reasons for being so. After all, Pakistan's GDP grew 5.28%, the first time in nine years that the growth crossed the threshold of 5%.

This increase in the overall size of the economy indicates improved productivity and better standards of living. Since an estimated one-third or more of Pakistan's economy is undocumented and so does not form part of the Gross Domestic Product (GDP) figures, the actual economic growth is probably higher.

The government can rightly claim some credit for this, although this growth falls short of the target of 7.2% that it had set for itself three years ago. This is still far lower compared to neighbouring countries in South Asia such as India and Bangladesh, which are growing at around 7%.

Looking at the sub-components of growth, there is good news from agriculture, which showed a positive growth of 3.5% versus actual contraction of 0.27% last year. This change may be attributed to a 3.02% growth in crops (cotton, sugarcane, maize and gram) against a negative growth of 4.97% last year.

The government's active attention to this sector through the Prime Minister's Agriculture Kisan Package and increased disbursement of Rs700-billion credit may have helped the turnaround. However, the performance of industrial sector, with a growth of 5% against the target of 7.7% in 2016-17, is not very encouraging. Despite some bright spots such as those related to construction industry (iron and steel and cement), other key sectors such as fertilisers and engineering products were almost stagnant.

Growth of services (5.98%) is mostly because of banking and insurance, which grew 10.77%.

Similarly another sector, government services, showed a growth of 6.91%. While the growth in government services indicates increased expenditure and as such is not a healthy sign, the growth in the banking sector means higher deposit mobilisation, which is a positive indicator.

There is slight improvement in government's taxation policies towards telecom and mobile phone sector. This would, to some extent, balance the negative fallout of the anti-telecom policies followed over the last four years. Hopefully, this will once again make Pakistan an attractive market for foreign investors.

According to the State Bank of Pakistan, in the last nine months, the FDI decreased $82 million. The government is finally realising that when its policies were favourable to this sector, it flourished and attracted FDI of approximately $5.7 billion (net).

Furthermore, Pakistan's high growth from 2003 to 2007 had a lot to do with liberalisation during that period.

Total debt has risen to Rs20,872 billion compared to Rs14,318 billion in 2013. Thus, during the last four years, the debt has risen by almost 50%. Already this year, interest payment on debt was the largest single expense for the country.

Next year Pakistan's external debt servicing is estimated to be 25% higher than a year ago, which was $5.3 billion. It seems that increased spending on debt servicing will continue to be a major drag on the economic growth for years to come.

Another worrying development is the continuous fall in exports since the PML-N government came to power. In the first nine months of the current year, there was a further decline of 3.06% with exports volume shrinking to $15.119 billion.

The finance minister normally avoids speaking about exports as if this is irrelevant to the economy. What he has to realise is that this significant fall in exports has been one of the biggest failures of this government.

There may be many reasons for this poor performance but the most obvious one is the anti-export bias in the tax policies. With every budget for the last four years, the finance ministry has been increasing taxes on international trade either to curb imports or raise higher revenue. These policies have isolated Pakistan from international markets with the result that the country's exports have fallen.

With the widening of fiscal deficit, slowing down of remittances and foreign direct investments and increasing circular debt, the government may find it difficult to keep the economy afloat without more borrowing.

Furthermore, it is not likely that during the forthcoming election year, the government would maintain the ongoing reform process, which has been steady, even if slow. All these factors may result in the next government having to face serious economic challenges.

https://tribune.com.pk/story/1421663/pakistan-economic-survey-ups-downs/

RCB APPROVES RS2.723B BALANCED BUDGET
The Express Tribune, May 30, 2017

Mudassir Raja

RAWALPINDI: The Rawalpindi Cantonment Board (RCB) on Monday approved a balanced annual budget worth Rs2. 722 billion for the upcoming fiscal year 2017-18.

The budget was formally approved during the board's budget meeting on Monday. RCB President Brigadier Syed Hassan Raza, Vice President Malik Munir Ahmed, Executive Officer Dr Saima Shah and other elected and non-elected members of the board attended the meeting.

The budgetary estimates will now be presented before the Military Lands and Cantonment Rawalpindi region director for approval.

To balance its budget, the RCB has set an expenditure budget which is equal to the income it plans to generate, Rs2.722 billion.

The major chunk of the money or around Rs1.114 billion is likely to be used to pay the salaries and allowances of its employees in the next fiscal year.

The next major expenditure which has been outlined by the RCB for next year includes contingencies – for which the board has set aside an amount of Rs632.797 million.

Further, the board plans to spend as much as Rs300 million for other non-development expenditures.

The authorities have also set aside Rs221 million for various development works in the cantonments such as buildings, sewerage, roads, water supply and other projects for public improvement.

The board will spend a further Rs221 million for maintenance and repair works in and around the cantonment.

For next year, the board will have its closing balance in expenditures as Rs247.510 million.

The total expenditures of RCB have slightly increased from Rs2.132.964 billion in 2016-17 to Rs2.474 billion for 2017-18.

According to the budget documents seen by The Express Tribune, the board has estimated that it would earn up to Rs2.430 billion during the next fiscal year with a closing balance of Rs391.187 million.

In the previous budget, the RCB had set a total revenue target of Rs2.346 billion.

Of this sum, the board expects to raise around Rs1.361 billion through taxes and rates charged by the various authorities under its auspices.

Moreover, it plans to generate Rs599.80 million through different means such as land lease and rental fees, fees from bus stops, Sunday markets, residential and commercial buildings.

The board has also earmarked to get another Rs207 million through debt.

Further, the RCB expects to generate around Rs196 million through miscellaneous resources such as development charges and hawker fees.

The board will receive Rs60 million through grants from the provincial and federal governments.

The RCB will also generate Rs6.5 million through fines imposed and collected by the authorities.

https://tribune.com.pk/story/1422508/rcb-approves-rs2-723b-balanced-budget/

RS 635 BILLION TO BE SET ASIDE FOR DEVELOPMENT
The Express Tribune, June 2nd, 2017

LAHORE: The Punjab government is set to unveil a Rs635 billion development budget for the year 2017-18 in the provincial assembly on Friday (today).

Punjab Minister for Finance Dr Aisha Ghaus will present the budget.

According to official data available with The Express Tribune, in the development budget for upcoming fiscal year, Rs452 billion have been allocated for Annual Development Programme (ADP), Rs93 billion for Lahore Orange Line Metro Train, and Rs90 billion and other development schemes that will likely to be announced close to general elections next year.

After Rs172 billion for on-going development schemes, data revealed that the highest sum of Rs93 billion has been allocated for the Lahore Metro Train – a project very dear to Punjab Chief Minister Shehbaz Sharif.

Similarly, foreign-assisted schemes get Rs24 billion, clean drinking water projects by Punjab Saaf Pani Company gets Rs30 billion and Khadim-e-Punjab Rural Roads Programme (KPRRP) gets Rs18 billion, according to the documents.

Furthermore, the government has earmarked Rs15 billion for Lodhran Khanewal Highway, Rs10 billion for Multan Road Bypass and Gulshan-e-Iqbal Park, Rs11 billion for Punjab Safe Cities projects, Rs9 billion for skills development, Rs2 billion for Punjab Agriculture, Food and Drug Authority (PAFDA), Rs10 billion for Pakistan Kidney and Liver Institute, Rs2.5 billion for Recep Tayyip Erdogan Hospital, Rs1.5 billion for the health insurance programme, Rs5 billion to revamp district and tehsil headquarter hospitals, and Rs16 billion for Punjab Education Foundation (PEF).

Around Rs4.5 billion have been allocated for Chief Minister's Laptop Scheme. Data indicated that Rs17 billion have been allocated for additional classrooms in school, Rs4 billion for reconstruction and repair of dilapidated school buildings, Rs4 billion for Punjab Educational Endowment Fund (PEEF), Rs1 billion for Lahore Knowledge Park (LKP), and Rs5 billion for Viability Gap Funding (VGF) for projects being executed under the public-private-partnership model.

Approximately Rs15 billion have been set aside for local government development schemes, Rs14 billion for balance payment for completion of CMD scheme, Rs15 billion for Prime Minister's Sustainable Development Goals programmes, and Rs10 billion each for priority programmes and special development packages.

The government has declared all above allocation as essential requirements of Rs535 billion, including Rs172 for ongoing schemes. Around Rs100 billion have also been allocated for new schemes.

The government has increased the development budget allocation by 15% as compared to previous year's Rs550 billion ADP. Notably, records from past years show that the government always failed to release and fully utilise the allocated development budget.

In fiscal years 2013-14, the government announced an ADP of Rs290 billion but released only Rs217 billion and utilised Rs199 billion. Similarly, in 2014-15 allocation was Rs345 billion and utilisation hovered around Rs250 billion. In 2015-16, a Rs400 billion development plan was announced, but the government only spent Rs316 billion.

During the current fiscal year (2016-17), the government has announced Rs550 billion ADP but has released only Rs342 billion. Of this, Rs207 billion have been utilised for development in the province.

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https://tribune.com.pk/story/1425000/rs635billion-set-aside-development/

DO WE HAVE ECONOMIC FREEDOM?
Hasaan Khawar

The Express Tribune, June 2, 2017

Pakistan has achieved a growth rate of 5.3 per cent, the highest in nine years. Now what can be done to sustain this growth? Economists believe that governments should pursue policies advancing economic freedom to stimulate growth and the rest can be taken care of by private enterprises and individuals.

In 2017, Pakistan's economic freedom score hit the lowest-ever mark, bringing down the country's ranking to 141 amongst 186 countries, all the way from 126 in 2016 and 121 in 2015. While there could be endless debates on whether this is an accurate reflection of future growth potential, it is hard to ignore the clear correlation between economic freedom and prosperity.

The recently released Economic Freedom Index 2017 revealed that countries lying in the top 25 per cent of economic freedom scores are six times as prosperous as those in the bottom quartile. Moreover, the top countries' GDP per capita has been growing at more than double the rate of growth for bottom countries. In layman's terms, this means the difference in prosperity of these two groups with varying economic freedom will widen over time and one cannot have one without the other.

In Pakistan, on the one hand, the federal and provincial governments are trying to lure in foreign direct investments through incentives, one-window facilitation and investment roadshows, while on the other, the lack of economic freedom is constraining existing businesses. It, therefore, calls for some introspection on where exactly are we going wrong.

Economic freedom means that individuals and businesses are free to own and control their labour, capital and goods with minimal intervention by the state institutions. The Economic Freedom Index, created by Heritage Foundation and The Wall Street Journal, is based on four pillars: rule of law, government size, regulatory efficiency and open markets. These pillars in turn depend on 12 indicators ranging from property rights to fiscal health and from business freedom to financial freedom.

A closer look at these indicators reveals that Pakistan has scored extremely low on six counts: property rights, judicial effectiveness, government integrity, fiscal health, labour freedom and financial freedom. Three of these indicators constitute the 'rule of law' pillar, making it the weakest area for the country.

It will be unfair to attribute this low score to any recent development, as since 1996, Pakistan has been categorised as a 'mostly unfree' country. If at all, since 2013 Pakistan has shown steady improvements in government integrity as well as in monetary, trade and investment freedom.

Judicial effectiveness and fiscal health have recently been added to the index so there is no historical trend available. But there has been little improvement in property rights, no improvement at all in financial freedom and a steady decline in labour freedom.

Looking at property rights, while the government does allow private ownership, it is quite difficult to protect personal property in case of disputes due to prolonged litigation, deterring entrepreneurial activity. It must be noted that property rights here pertain to both real and intellectual properties as well as to investor protection and quality of land administration.

Labour freedom, on the other hand, refers to excessive labour regulations in the country, limiting businesses' ability to deal with redundancies. The low labour force participation rate of 15 per cent, much below the world average of 62 per cent, manifests poor labour opportunities in Pakistan and negatively affects their freedom. Lastly, financial freedom depends on factors like government influence on allocation of credit and capital market development, both of which are weak spots for Pakistan. Domestic credit to private sector for instance, is merely 15 per cent of Pakistan's GDP, as opposed to 44 per cent in Bangladesh and 52 per cent in India. Claims on the central government, on the other hand, stand at 29 per cent of the GDP.

The Economic Freedom Index is not a sacrosanct scorecard neither is it a predictor of investors' confidence. However, it does provide a lens through which many investors look at investment prospects and also presents a menu of options to governments where targeted reforms can be undertaken.

https://tribune.com.pk/story/1425066/do-we-have-economic-freedom/

BUDGET 2017-18: MUCH STILL NEEDS TO BE DONE, SAYS FINANCE MINISTER
The Express Tribune, June 4th, 2017.

Rameez Khan

LAHORE: There is still a lot that need to be done, said Minister for Finance Aisha Ghaus Pasha while addressing a post budget briefing on Saturday.

She said the Punjab Government had given priorities to the key sectors that will directly benefit the common man of Punjab. She said both health and education sectors were given key priority as more amounts had been allocated for these compared to previous years.

She declared the FY2017-18 budget as people friendly with a focus on health, education, law and order, public safety, agriculture as well as public transport. She reiterated her speech from the budget session and added no new tax had been imposed.

The minister said the government aimed to increase collection and broaden the tax base. "We want to tax people who are not paying their due share, Aisha stressed. She said the government was also improving the mechanism of tax collection to obtain optimum output. She added the human interface was being excluded from the equation of tax collection to control leaks in the system.

The PRA chairman said the body had already collected Rs74 billion in the running fiscal year and hoped to boost this amount to achieve the annual target of Rs86.5 billion by June 30. She said the government was far ahead of other revenue agencies such as the Sindh Revenue Board and FBR.

"We hope to have 50,000 registered tax payers in Punjab by the end of this fiscal year," she said, adding the marker currently stood at 40,000.

The minister said GST on construction services had been subsequently been reduced from 16% to 5% to promote a business climate in the province. The minister said this move was in special respect to business opportunities emerging from CPEC projects. She said registration fees on new farms had also been brought down to zero to promote farming.

She said the Rs197 trillion budget was a historic amount and never witnessed in the history of the province. She said a 10 % increase was proposed in pay and pensions. Aisha continued that teachers were being upgraded to up the standards of education in Punjab.

She termed 2017-18's allocation as "poor and businessmen friendly and a progressive budget". The minister, when asked about job opportunities, said sustainable employment generation cannot be achieved by public-sector hiring.

Aisha stated the government was trying to attract the private sector to play a bigger role in the country's economics.

She said that government was also addressing security concerns, energy concerns and slow business models to attract private investment into Pakistan. She added this will ultimately create more jobs than the public sector. Talking about a new initiative, she said that government is introducing investment bonds worth Rs25 billion through the State Bank and this was allowed to all the provinces by the National Economic Council in 2016.

Regarding a question about the lack of government focus towards Southern Punjab, Aisha said that more per capita share was given to southern Punjab then the rest of the province, even in this budget. The finance minister said the government has already initiated dozens of projects in Southern Punjab. Also, it has allocated Rs 5 billion for least developed areas of the province. She said at the time all wrong perceptions were corrected.

https://tribune.com.pk/story/1426563/budget-2017-18-much-still-needs-done-says-finance-minister/

PUNJAB GOVT UNVEILS RS1.97TR 'ELECTION YEAR' BUDGET
Dawn, June 3rd, 2017

Nasir Jamal

LAHORE: The Shahbaz Sharif government on Friday unveiled an election year budget for 2017/2018, spiking public development investment on its large road, mass transit and other infrastructure projects by a fifth to Rs635 billion from the revised estimates of Rs440bn for the outgoing fiscal, and offering more money for public welfare schemes and subsidies to the tune Rs30.4bn for different segments of voters.

The consolidated budget outlay (inclusive of expenditure of Rs259.8bn on state trading in wheat) has been estimated at Rs1.97 trillion, up by 17.2 per cent from the original estimates for the outgoing year, with current expenditure projected to rise by 17.6pc to over Rs1tr on a year-on-year basis.

The bulk of money Rs1.1tr — for meeting its current and development expenditure — will come as Punjab's share from the federal divisible pool. The rest of the cash will be raised by hiking the provincial own tax target by a quarter to just below Rs231bn and increasing non-tax revenue target by 22.6pc to Rs117.3bn, obtaining foreign debt of Rs132.7bn (including a Chinese loan of Rs93bn for metro train project in Lahore).

Besides, the government plans to secure suppliers' credit of Rs40bn for its safe city project, and issue provincial treasury bills and saving and investment bonds — a first by any provincial government — worth Rs25bn in the domestic debt market. For its commodity operations, the province will raise Rs260bn by borrowing Rs130.3bn from the commercial banks (for wheat procurement) and Rs133bn by selling its wheat stocks.

Announcing the budget amid continuous boos and chants of "go Nawaz go" from the opposition members, Punjab Finance Minister Ayesha Ghaus-Pasha recounted the efforts of the PML-N government to boost inclusive economic growth, facilitate private domestic and foreign investment, curb terrorism, and build social and economic infrastructure under and outside the China-Pakistan Economic Corridor initiative in the province.

"We have brought transparency and good governance in the implementation of our energy, transport, health, education and other projects in Punjab to put its economy on the road of sustainable growth," she said. She also claimed to have saved Rs220bn in the award of contracts and implementation of large infrastructure projects. She said investors from 20 countries, excluding China and Turkey whose companies had already invested big amounts of money in Punjab, had expressed their desire to invest in different sectors in the province, which was a sign of confidence in the provincial government and its policies.

The allocations in the next budget for such "pro-poor" initiatives as Ramazan package, and wheat subsidy and public transport fare subsidies and so on are estimated to be Rs30.4bn. However, officials told Dawn the number does not capture the actual "volume of the subsidies". "The actual size of the subsidies being given is much higher than the number booked under this head in the budget," an official contended. A third of development budget will be spent on social sector, 27pc on road, irrigation, energy, and other infrastructure and 16pc on mass transit (in Lahore) and other public services.

Among other major election-related goodies the minister announced to woo the voters are up-gradation of over 300,000 primary schoolteachers and increase in honoraria of secondary schoolteacher, continuation of the interest-free loan scheme for farmers under the Rs50bn Kissan package, laptop scheme for students, provision of interest-free "orange" cabs for the unemployed (at a whopping cost of Rs35bn), interest-free loans for self-employment (Rs30bn have already been disbursed), reduction in GST on construction services from 16pc to 5pc, provision of subsidized laser land levellers to growers, payment of sales on electricity for agriculture tube-wells, and so on.

The government also announced a 10pc raise in pay and pension of its employees and increased minimum wages to Rs15,000 per month in line with the federal decisions. The pay and pension increase will put an additional burden of around Rs20bn on the next budget.

The minister announced launching a metro bus project in Faisalabad, public bus system in all major cities and clean drinking water project in the remoter districts, especially in the south Punjab.

The provincial development programme for next fiscal places "special" importance to projects related directly or indirectly to the Corridor initiative. For example, the government plans to complete an apparel park near Lahore in order to facilitate relocation by Chinese investors of their value-added textile industry. Additionally, the budget documents say, the provincial government is developing a long-term engagement strategy with the Chinese (firms and investors) in (the) light of CPEC (initiative and identifying industries for joint ventures (between Chinese and Pakistani investors) and investment. "… special focus is being placed on production sectors, building modern infrastructure, development of the small and medium enterprise (SME) sector, formulation of a comprehensive industrial and land use policy, and development of domestic commerce strategy," it says.

https://www.dawn.com/news/1337063/punjab-govt-unveils-rs197tr-election-year-budget

NEWS COVERAGE PERIOD FROM MAY 22ND TO MAY 28TH 2017
PML-N'S PRIORITIES VERSUS ALLOCATIONS
The Express Tribune, May 22nd, 2017.

Dr Manzoor Ahmad

The preparatory work on the budget is in final stages. In line with usual practices, most of the proposals are still shrouded in secrecy.

According to the International Budget Partnership (IBP), an international network dedicated to making public finance systems worldwide more transparent and accountable, Pakistan's public participation score is a dismal low of 10/100. This means that public does not have input in the budget process.

Since ordinary people or even their elected representatives have little access to budget information and opportunities for participation, most of the budgetary measures are of elitist concerns and favour the status quo, which suits the ruling elite. If the budget-making process were more transparent and inclusive, undoubtedly the allocation of resources would be better geared to confronting the problems facing the country.

This article outlines three most serious problems, which Pakistan is facing but which get little attention from the policy-makers. Indeed, the budgetary policies further exacerbate the current situation.

According to the 2016 Multidimensional Poverty Index (MPI) report, four out of ten Pakistanis are living in acute poverty. Given such a high level of poverty, the top priority of the government should be to tackle this menace.

It is well established that tax policies have a direct correlation with the prevalence of poverty and employment creation in a country. Indirect taxes such as customs duty, sales tax and withholding taxes are considered regressive as they hit middle and lower classes the most.

Unlike most other countries, Pakistan's budget for each of the past four years has been successively relying on larger indirect taxes. This worsens poverty and unemployment. For example, according to the 2015-16 FBR Yearbook, in 2015-16 the customs duty collection recorded a growth of 32.6%, followed by sales tax (21.7%) whereas income tax collection showed the least growth at 15.3%.

Even this small growth in income tax was mostly because of increased collection of withholding taxes on imports, contracts and utilities. Since 68% of the income tax revenue comprises withholding taxes, it also becomes an indirect tax.

Indirect taxation allows the rich to get away without paying their due share and shifts the tax burden to the poor.

With 5.6 million children out of primary schools – the most absolute number of children out of school anywhere in the world and education spending far below minimum benchmarks, the United Nations Global Education Monitoring Report 2016 says that Pakistan is more than 50 years behind in its targets for primary education and 60-plus years behind for secondary education.

Despite a clear commitment by the PML-N in its election manifesto to raise expenditures on education to 4% of GDP, the total allocation by federal and provincial governments for education last year was Rs790.704 billion, or just 2.83% of GDP, the lowest in South Asia.

According to Alif Ailaan – a campaign for education reform, if education were to get 4% of GDP, the allocation in the 2017-18 budget would need to be Rs1,177 billion, implying an increase of at least Rs387 billion in one year. If the federal and provincial governments allocated this additional funding, it would be a great step forward.

According to UK-based WaterAid, around 16 million people in Pakistan do not have access to clean water and because of inequities in the system, the poor have to pay more for this essential commodity.

Government expenditure on water and sanitation has been one of the lowest in the world – stagnant at 0.22% of GDP against 0.57% in India.

The last major water storage dams at Tarbela and Mangla, built more than 40 years ago, store only 30 days of average water demand, compared to 1,000 days for Egypt and 220 days for India.

Successive governments have been planning to build multipurpose dams on the Indus River, but could not muster the required resources.

Even with the projected CPEC funding of over $50 billion, building of dams is not considered a priority. Most of the funding is going for fossil fuel-based energy plants and roads.

It is high time the budget-making process becomes more transparent as well as fair. Policies that put a greater tax burden on the poor compared to the rich need to be reversed.

Allocation of resources to social sectors such as education, health and sanitation should at least match neighbouring countries. Spending on defence and roads should not be the only priority areas.

The writer served as Pakistan’s ambassador to WTO from 2002 to 2008

https://tribune.com.pk/story/1415764/pml-ns-priorities-versus-allocations/

AS THE WORLD RACES TOWARDS A DIGITAL ECONOMY, WHERE DOES PAKISTAN STAND?
The Express Tribune, May 22, 2017

Parvez Iftikhar

ISLAMABAD: In September 2016, the Thailand Ministry of Information and Communication Technology was dissolved and replaced by the Ministry of Digital Economy and Society.

In Malaysia, recognising that broadband is one of the key components of the nation’s digital economy, ‘Malaysia Digital Economy Corporation’ budgeted 1 billion Malaysian Ringgits to double the broadband speed and half its price in two years’ time.

India’s recent demonetisation has helped it leapfrog towards a cashless economy, in which the digital economy thrives. Similarly, UK’s parliament enacted the Digital Economy Act as recently as April 2017.

One could go on and on. Digital economy is the mantra; digital is not just part of the economy — it is the economy now.

What is digital economy? Generically, it is the utilisation of digital technologies for economic purposes, typically involving e-commerce. It is not a new economy as such. It is also called the internet economy because everything happens over the internet, with the help of smartphones, computers, applications and software. Therefore, digital economy is actually the transition of the traditional economy to an economy which uses digital technologies for the same purpose.

In the world of Business-to-Consumer (B2C), the products and services that are marketed and sold are the same as in conventional business transactions, however, the disruption is in the medium. In comparison, in the Business-to-Business (B2B) world, which is much bigger, the products themselves are changing. The biggest product by far is data, which is central in digital economy.

The technological revolutions are highly disruptive to economies and societies. This was the case in the previous Industrial Revolution, when big established businesses like Kodak and Blockbuster, Sears and Polaroid, disappeared, and it is the same with the ongoing fourth Industrial Revolution.

As technologies are advancing rapidly, skills of predominant majority of humans are not advancing with the same speed. With the passage of time the gap between swiftly developing technologies and the slower human development will grow bigger, and affect the economy and the society even more.

Another big obstacle for digital economy is the lack of trust in the internet. It has to be acknowledged that there is a dark-side of the internet too. Coping with the increasing number of cyber-attacks, the growing expertise of hackers and the thriving black market for stolen data (or “ransom” data, as we are witnessing nowadays) requires much more resources and greater emphasis on cyber security. Those who choose to downplay its importance will do so at their own peril.

Digital technologies are transforming businesses in ways that one never thought about. The services, which are coming from the internet revolution, are creating new businesses, including the largest businesses of our times – like Alibaba, Amazon, Netflix, Facebook, Google, Uber, etc.

The arrival of internet of things, artificial intelligence, and 3D printing has further brought the digital economy out in the front. According to MIT Sloan research (based on 400 global companies across all industries), the companies that are adapting to a digital world are 26% more profitable than their industry peers who are not adapting – some non-adapters are actually dying.

What is true for companies is also true for countries. Approximately 8% GDP of G20 countries (around 3.2 trillion Euros) was part of the digital economy in 2016. Moreover, it is not only about businesses, digital technologies are extensively being applied in health, education, governance, agriculture and even where you want to go for a vacation!

How far has Pakistan progressed?

In Pakistan, we have a lot of catching up to do. We do not seem to have clear ideas as to where we are in terms of digital economy. We do not know how much of our businesses are already getting support of digital technology.

Rough estimates place our digital economy at $100 million. With rapid growth of connectedness, it has a potential of jumping to $1 billion within a year. But predominant majority of our businesses are not geared up for digital economy, which means a big risk of our country falling further behind.

A recent positive development is the signing of (in the words of the IT Minister) “first digital MoU of our country”, with Alibaba. It will definitely prove to be a big help for digital economy in the country. However, work on broader policy side needs to be done by all in the government. Three areas need urgent attention:

The under-construction, eagerly awaited, ‘E-Commerce Framework’ and the ‘Data Protection Act’, are two instruments that are expected to play ground-breaking roles – hopefully, very soon?

The incentives needed for SMEs to start running their businesses digitally. For this the digital tools, like computers, routers, smartphones, etc, will have to be made free of all duties and taxes.

And finally, our current ranking at 144 in Ease-of-Doing Business is not inspiring a lot of confidence among the technology investors. Issues like heavy and unpredictable taxation on ICTs must be addressed urgently – perhaps the upcoming budget is a good time to start?

The writer is former CEO of the Universal Services Fund and is providing ICT consultancy services in several countries of Africa and Asia

https://tribune.com.pk/story/1415769/world-races-towards-digital-economy-pakistan-stand/

PUNJAB CM HAILS PAKISTAN’S PROGRESS AT GLOBAL SEMINAR
The Express Tribune, May 24, 2017

LAHORE: Punjab Chief Minister Shehbaz Sharif boasted the speed at which projects under the China-Pakistan Economic Corridor have progressed, saying that numerous agreements and MoUs have been signed in the past as well, but saw little material progress.

“However, the speed with which the agreements signed during Chinese President Xi Jinping’s visit to Pakistan in April 2015 have been implemented has surprised the whole world – from Washington to Tokyo and from Delhi to Moscow,” Sharif said while addressing the concluding session of the second international seminar on investment opportunities in Punjab on Tuesday.

The agreements and MoUs signed during the previous seminar in 2015 have also been speedily implemented, said Sharif.

He added that, like the first international seminar, the second one being held in Lahore has proved very successful from every aspect, and industrialists and investors from 26 different countries of the world have signed agreements worth billions of dollars for investment in different sectors of the province.

Sharif was confident that Pakistan will continue its progress and will develop to regain its lost glory.

“The day would come soon when Pakistan will get a position of prestige and honour in the world.

“I would appeal to national and international investors to invest in Pakistan, and in Punjab, and set up projects of development and prosperity,” he added.

Talking about ongoing projects, the Punjab CM said that Pakistan’s largest coal power project is going to be inaugurated within two days, and that Prime Minister Nawaz Sharif would formally inaugurate this 1,320-megawatt project.

“An investment of $1.8 billion has been made, and this project has been completed in a record period of time under CPEC.”

Additionally, today 660 megawatts of electricity from this project has been provided to the national grid, said Sharif.

Punjab CM also held separate meetings with heads of investment groups and foreign companies attending the international business seminar at a local hotel today.

The investors belonged to different countries including China, France, Turkey, Germany, Japan, South Korea and the UK.

They indicated strong interest in investment in energy, infrastructure, transport, healthcare, low-income housing schemes and industry.

Investors said that Punjab has paved way for speedy economic development in Pakistan by fast-track completion of development projects.

While appreciating pro-business policies, they said that Punjab is now the leading province in having a most conducive atmosphere for investors.

“We are ready to invest in both CPEC and non-CPEC projects,” they added.

https://tribune.com.pk/story/1417515/punjab-cm-hails-pakistans-progress-global-seminar/

GOVT, OPPOSITION AGREE ON PASSAGE OF BUDGET BY JUNE 14
Dawn, May 25, 2017

Amir Wasim

ISLAMABAD: The government and the opposition have agreed that the federal budget for the next financial year — to be presented by Finance Minister Ishaq Dar on Friday (tomorrow) — will be put for a final vote in the National Assembly by June 14.

The understanding was reached between representatives of major parliamentary parties during a meeting of the House Business Advisory Committee just before the beginning of the assembly session here on Wednesday. The meeting was presided over by National Assembly Speaker Sardar Ayaz Sadiq

During the meeting, the representatives of all parties agreed that general discussion on the federal budget for 2017-18 would start from May 29 and the finance minister would wind up the debate on June 9.

An official announcement issued by the National Assembly Secretariat after the meeting says that voting on demands of grants (cut motions) will begin on June 10 and the session will continue till June 14.

Voting on demands of grants is considered to be a crucial phase of the budget session as the opposition members get the opportunity to move cut motions on ministries.

This is the stage where opposition gets a chance to criticise government performance while seeking a symbolic deduction of Rs10 or Rs100 from the demands of grants for each division and ministry.

Traditionally, opposition members submit cut motions on key ministries, with an understanding with the government.

During the voting, both the government and the opposition make arrangements to ensure maximum participation of their members in the house.

Those who attended the meeting included Law Minister Zahid Hamid, Parliamentary Affairs Minister Sheikh Aftab Ahmed, Kashmir Affairs Minister Chaudhry Barjees Tahir, Parliamentary Leader of the Pakistan Peoples Party Syed Naveed Qamar, Dr Shireen Mazari and Ghulam Sarwar Khan of the Pakistan Tehreek-i-Insaf, Sheikh Salahuddin of the Muttahida Qaumi Movement (MQM), Sahibzada Tariqullah of the Jamaat-i-Islami, Chaudhry Mohammad Ashraf of the Pakistan Muslim League-N and Shahabuddin Khan from the Federally Administered Tribal Areas.

Later, during the assembly session, the members paid tribute to their colleague Abdul Rahim Mandokhel, who died in Quetta last week. The 81-year-old Mandokhel had won the National Assembly seat from the constituency of NA-260 (Quetta-Chagai) in the 2013 elections on the ticket of the Pakhtunkhwa Milli Awami Party.

The assembly also passed the amended Companies Bill 2017 with a majority vote. The bill had already been passed by the National Assembly, but the government had to bring it back to the house since the Senate had passed it with some amendments.

During the passage of the voluminous bill, the house witnessed some lighter moments when the speaker made some interesting arguments with the opposition members, particularly with Opposition Leader Syed Khurshid Shah and Dr Shireen Mazari.

The opposition protested over the government's move to get the bill passed without ensuring quorum. However, though the opposition opposed the bill, it did not point out quorum and only criticised the government over the absence of majority of the ministers.

https://www.dawn.com/news/1335320

ECONOMIC SURVEY 2016-17: GROWTH TROTS ON AS DEFICITS SOAR
Dawn, May 26th, 2017

Khaleeq Kiani

ISLAMABAD: After a decade-long slump, Pakistan's economy surged past the $300 billion mark in the outgoing fiscal year, claimed the finance minister while unveiling the Economic Survey for the outgoing fiscal year. The economy grew at a rate of almost 5.3 per cent, the highest in a decade, with robust support from the services sector.

A low point of the year was a struggling industrial sector where almost all targets were missed in its various subsectors, while agriculture blossomed following a slump last year. Its growth rate came in at 3.46pc, narrowly missing its target.

Finance Minister Ishaq Dar, who launched the Economic Survey 2016-17 at a news conference, flagged falling exports as a point of concern but was upbeat that overall performance of the economy was positive enough to steer the country among the top 20 economies by 2030.

The minister became visibly flustered when questions were put to him about the slippages on the economic growth target of 5.7pc and its various sectors. "Let's not obsess over targets," he insisted, arguing these were set mostly to challenge his team to work harder and perform. Instead, he claimed the economy was now poised for a take-off after years of hard work.

He also bristled at criticism over his economic performance, saying negative portrayals of the economy in the press was sending confusing signals abroad at a time when all foreign institutions and investors saw Pakistan among G-20 by 2030 and among top 15 by 2050.

"For God's sake have mercy, this is everybody's Pakistan," he shot back at one point, visibly vexed by questions pointing towards the weaknesses in his track record, and reiterated the call to decouple the economy from politics and set a common national economic framework that should be followed by all parties regardless of who is in power.

"You guarantee me I will be the next finance minister and I will guarantee we will not go back to the IMF programme," he said when a reporter asked whether he could guarantee Pakistan will not return to the IMF in 2019.

Mr Dar said it was rather a matter for celebration that the country's growth rate had broken the 3-4pc barrier after a long time and was now moving towards 6pc growth trajectory. At the same time he explained that the size of Pakistan's economy was understated to the extent of 20pc according international institutions like the World Bank which had been given a contract to re-assess the GDP in 8-12 months.

The finance minister said a key point of the current year was a 2pc growth by the services sector in the overall size of the GDP at the cost of industrial and agriculture sectors. The share of services sector increased to 59.6pc against 19.5pc share of agriculture and industry's share of 20.9pc.

On the whole, the industrial sector is estimated to have grown 5pc against a target of 7.7pc and revised growth of 5.8pc last year. Of this, manufacturing showed a 5.27pc growth instead of the targeted 6.1pc and 3.7pc growth last year. Large-scale manufacturing posted a 4.9pc growth, well behind its 5.9pc target even though it performed better than last year's 2.9pc increase.

Small and household sectors increased at a rate of 8.2pc — almost on target. Electricity generation gas distribution showed a miserly 3.4pc growth against a target of 12.5pc and last year's 8.4pc growth despite the government's full focus on these areas.

Construction, another governmental priority, also showed 9pc growth, against an increase of about 15pc last year, and missed the target of 13.2pc. Both these areas were also part of the CPEC focus that consumed more than Rs450bn during the year.

In overall terms, the agriculture sector grew by 3.46pc, just short of its growth target of 3.5pc for this year but this showed impressive recovery when seen in the context of from a low of just a 0.27pc increase last year. Important crops registered an increase of 4.12pc in output, significantly higher than 2.5pc target and compared to a 5.5pc slump last year.

Sugarcane accounted for the largest increase in output, surging by 12.4 pc, while cotton and wheat grew marginally by 7.6 and 0.5pc, respectively.

The minister claimed credit for agriculture recovery, saying Rs341 billion of Kissan Package that involved supply of inputs at subsidised or reduced rates including fertilisers, tubewell tariff, etc. He said this sector would remain under focus in the upcoming budget to ensure food security and avoid cotton imports.

Livestock subsector retained its last year growth rate of 3.4pc although it missed the 4pc growth target. Cotton ginning also showed a 5.6pc growth this year over last year when cotton output registered a 22pc decline.

The services sector posted the healthiest growth at 6pc against a 5.7pc target. Financial services led the growth with 11pc. The services sector generally showed broad-based improvement with general government services 6.9pc, housing 4pc, private services 6.3pc, transport and communication 3.9pc and wholesale and retail trade 6.8pc.

The minister said the inflation measured by Consumer Price Index (CPI) increased by 4.1pc and well within 6pc target but should be seen in the context of 8.7pc inflation in 2013, when his tenure began. Food inflation has risen 3.86pc and non-food by 4.25pc, which was a satisfactory position, he said.

The minister conceded that exports fell 3.06pc in nine months and stood at $17.9bn against $20.5bn of full last year but hoped it would recover to $21.6bn by the end of the fiscal year owing to the lagged impact of an export package announced a few months ago.

Imports surged by 18.7pc to $37.84bn compared to $33.44bn last year but 40pc increase was caused by plant and machinery, he said. Breakdown of import growth showed a 70pc share of power sector, 23pc in textiles, 69pc in construction and 37pc in agriculture. The minister urged everyone to see these figures as evidence that the economy was building its own future.

As a consequence, the current account deficit increased to $7.25bn in nine months compared to $2.5bn last year. This will rise by another $1bn before the year ends, he warned. The surging deficit owed itself to declining remittances, which fell 2.6pc to $15.6bn. Foreign direct investment on the other side was almost double at $1.73bn compared to $860m.

Foreign exchange reserves as of May 23 stood at $20.93bn including the central bank's $16.15bn despite repayment of $500m to China and another $500m Eurobond contracted by previous regimes, he said.

Per capita income in dollar terms improved by 6.4pc to $1,629 a year compared to 1.1pc growth last year. Total investment increased by 11pc to Rs5.026 trillion while fixed investment increased by 14pc to Rs4.5trn including public sector's Rs1.36trn. Total investment to GDP ratio stood at 15.8pc against a lowest of 12.8pc in 2012-13.

National savings on the other hand declined to 13.1pc of GDP this year against 14.3pc last year. The stock market, he said, had now gone beyond 52,000 points from 20,000 in 2013 while market capitalisation had doubled to $10trn.

On the fiscal side, revenue to GDP rate improved to 16.3pc, tax revenue stood at 13.1pc of GDP and non-tax at 3.1pc. Net external debt on the other hand amounted to $41.9bn while net public debt amounted to Rs18.9trn or at 59.3pc of GDP.

https://www.dawn.com/news/1335443/economic-survey-2016-17-growth-trots-on-as-deficits-soar

ANALYSIS: FINAL BUDGETS, PAST AND PRESENT
Dawn, May 26th, 2017

KHURRAM HUSAIN

When the finance minister rises to deliver his departing hurrah to the nation in today's budget speech, he will be third in the line of finance ministers who have given their last budget speech in the shadow of a growing political crisis. The last two of his predecessors — Omar Ayub Khan and Hafeez Shaikh — had to shout to be heard as they read out their final budget amidst thunderous protest in 2007 and 2012, respectively. Mr Dar is unlikely to face such stormy protests, though the opposition could still pull a surprise.

Both preceding budget announcements were made in the context of a political storm, as well as an approaching economic crisis. In 2007, a growing financial crisis in the industrial West was brewing, and few could see that it would reach the scale that it ultimately achieved.

But reserves had peaked in that year, and spiraling commodity prices was exerting a growing drain that would ultimately swamp the growth process so proudly touted by the Musharraf regime. That financial year saw the printing of government notes to maintain parity in oil prices at the pump to an unprecedented scale, eventually leaving the incoming government with an overhang of more than Rs700 billion to unwind.

That budget was also announced in the shadow of the May 12 bloodletting in Karachi, and the lawyers movement that was gathering steam, along with the Lal Masjid episode. The assembly thundered with chants of "qatilo, qatilo, khoon ka hisaab do!" ("murderers, murderers, account for the blood you have spilled"). The fiscal year began with inflation at 6pc and saw it touch a peak of 17pc midway through, the single largest spike in inflation in Pakistan's history.

Hafeez Shaikh had his own difficulties. Although oil prices had stabilised to a level above $100 per barrel, far below the peak they hit in FY2007-2008, they nevertheless served as significant brakes on growth and left a massive circular debt of almost Rs500bn for the incoming government, leaving the power sector crippled and rolling blackouts of more than 12 hours across the country.

The fiscal and economic developments of those respective years had a great bearing on how the elections turned out, although other factors were at play too. Those were years that were buffeted by powerful economic and political factors, as the outgoing government struggled to contain violent challenges to their rule, and storm clouds of economic turbulence.

The finance minister today also stands in the midst of a political crisis, although its dimensions are far tamer than those faced by his predecessors. Violent challenges to his government's rule have subsided, and the international economy — although stalked by powerful turbulence in the form of events like Brexit — is far tamer by comparison to what his predecessors faced. In short, the minister faces a rare moment in Pakistan's history: the luxury to present a final budget with relatively fewer constraints than any of his predecessors had to reckon with.

The big question for today, therefore, is how he will use this rare opportunity. There is little the minister can do to change the economic legacy of his government at this stage. The budget can, at best, hope to keep things on an even keel, while pushing on the accelerators of growth that are available to the government.

The power sector will require special attention, because a relapse of the circular debt has the potential to bring loadshedding back at a critical moment when the government will be held to its promise to end this menace. And three months prior to the elections, the reins of government will be held by an interim government that is unlikely to take drastic, strategic steps that might be required should the circular debt reach critical proportions again.

The budget will contain plenty of schemes and incentives to spur growth in the hopes of creating some employment, and expanding the play of discretionary disbursement of largesse by selected politicians. Power and patronage will be the priorities, as they have been in the past. Coupled with an expanded development budget, the resultant pressure on government resources will also increase at a time the government can least afford new revenue measures that could stifle growth.

As a result, the minister is likely to yield to the temptation to expand on those revenue heads that have a minimal impact on the poor, and on the immediate prospects for growth. The super tax on giant corporates is one possible target, as well as the withholding tax on banking transactions. Income taxes of salaried people could also be in the line of fire. Beyond these, it will be interesting to see how the minister goes about trying to arrange for the resources for the expected spike in expenditures.

https://www.dawn.com/news/1335438

A SHADOW BUDGET
Dawn, May 26th, 2017

Sakib Sherani

WITH the finance minister for 2017-18 later today, a relevant question is: what should the budget look like? Clearly, and ideally, the budget should reflect a higher purpose and a grand design; it should be part of a medium-term response to the country's macroeconomic context and its socioeconomic challenges.

However, this beautiful theory clashes with the ugly reality of a constrained resource envelope. But since scarcity is at the heart of economic choice, managing it is precisely what policymakers have to grapple with.

The resource constraint can be resolved in a number of ways relative to competing expenditure requirements. The budget can be set in a medium-term framework rather than be reduced to a mere annual accounting exercise. More importantly, budgeting needs to be complemented with other policies and measures that support the overall objectives and outcomes set by policymakers (elaborated later).

A stronger institutional framework, such as informed and active oversight by parliament, for example, can help lead to better decisions, including in setting expenditure priorities. In this manner, the trade-offs inherent in the budget can be better managed.

But what should the grand design be? In Pakistan's case, the following interrelated goals and objectives present themselves as priority areas:

— Promote long-run growth led by private-sector investment

— Improve the international competitiveness of the economy

— Absorb the youth bulge into productive employment

— Redress institutional weaknesses in economic governance

To achieve these ends, some key interventions will need to be made, complemented by a wider framework of economic policies. Some of the required interventions are as follows:

— Reducing the cost of doing business in the economy

— Reducing the burden of taxation on businesses

— Increasing productivity-enhancing investments (spending on the right type of physical infrastructure, on skills development, on easing technology absorption by businesses, facilitating new IT start-ups etc.)

Allocating funds in the budget alone will not achieve results. A set of complementary policies and measures will be needed to make progress towards the stated objectives. Hence, for example, a wide-ranging and comprehensive restructuring of the Federal Board of Revenue will be required, underpinned by a comprehensive organisational development programme.

Modernising FBR's IT platform and upgrading its related infrastructure is also essential. While both these steps will require significant budgetary allocation, there will be other measures and steps needed outside of the budget to successfully complete the reform process.

Once these measures have been put in place, it will induce taxpayer confidence in FBR, while improving its capacity to work in an independent, impartial, transparent, accountable and professional fashion — all fundamental building blocks of a modern, effective and efficient tax administration. This set of actions can then lead to an increase in tax collection in a fair and equitable manner.

Another example of necessary action outside the budget is a high-powered review of government expenditures, and a separate, specific examination of the portfolio of projects under the public sector development programme. The objective would be to make savings in government spending, introduce transparency and realign development expenditure to the most efficient, long-run, growth-enhancing areas.

Broadly, this is the grand design and framework that was used to help PTI prepare its maiden shadow budget in 2015. Over a three-year period, it was envisaged that the standard national sales tax rate would be brought down to 12.5 per cent, while the headline corporate tax rate would be slashed to 20pc — aiming to be the lowest in the region. These measures, in combination with investment incentives and import tariff reform, would cost a sizeable amount of money (estimated at almost a trillion rupees over a three-year period).

This amount would represent a revenue loss that would be compensated from the following sources: higher tax revenues generated from growth and investment in the economy, as well as from the restructuring of FBR; a proper utilisation of the Nadra list of 3.2 million potential taxpayers; rationalisation of some taxes; savings from the expenditure review and realignment; and, savings from reducing leakages in public-sector expenditure.

Despite these measures, in the first two years, it was estimated that the fiscal deficit would rise by around 0.4pc. This was on account of the fact that many of the measures requiring structural changes or institutional reform would have back-loaded pay-offs. However, in a well-thought-out scheme of things, a moderate rise in the fiscal deficit owing to large-scale, fundamental reform should be perfectly acceptable.

Such a set of economic policies and medium-term budgetary measures would generate investment, growth and jobs creation, while at the same time also yielding additional tax revenue by widening the tax net.

While the PTI did not continue with the practice of producing a shadow budget, in line with the best traditions of parliamentary democracy, for reasons best known to itself, this year the PPP has presented one. This effort on the part of PPP complements the long-standing and fairly serious effort by the MQM each year. It would be useful for the opposition political parties to engage more broadly, frequently as well as intensely with external experts and technocrats to get the necessary insights into their budgetary recommendations, especially with regard to the implications of any tax proposals.

Buttressing the different parties' shadow budget should be a white paper critiquing the economic policies and performance of the government. A process of citizen engagement would be a step towards having an informed electorate. In this regard, a missing piece in Pakistan's institutional set-up is a specialised office or agency that helps parliament understand the revenue as well as economic implications of the various tax proposals put forward, like the Congressional Budget Office in the US or the Institute for Fiscal Studies in the UK.

https://www.dawn.com/news/1335411

BUDGET 2017-18: DAR GUNNING FOR GROWTH
Dawn, May 27th, 2017

ISLAMABAD: As expected, the government unveiled an election year budget that has a steep hike in development spending, while avoiding any painful revenue measures.

Finance Minister Ishaq Dar promised relief measures for civil and military personnel and schemes for agriculture, exports and textile to name a few and a jacked up development programme by 40 per cent to spur economic growth, that the government is hoping to take to 6pc by the end of the next fiscal year when it will be preparing to hand over the reins of government to an interim government in preparation for a general election.

The bulk of the new revenues to pay for this ambitious programme will come from FBR tax revenues, which have a poor track record of meeting even more modest targets.

A 12pc hike in FBR revenues has been assumed to come automatically from inflation and the rate of economic growth, said Finance Secretary Tariq Bajwa, speaking on phone with Dawn. Of the remaining amount, he said non-filers of tax returns would face a significant burden, but did not explain further. The budget documents also cast scant light on the matter. After this, an increased tax burden on business and industry is envisioned to fill the rest. A fixed tax regime for real estate builders and developers introduced last year has been withdrawn.

The minister dwelt at length on the journey his government has travelled, reminding the assembly that the country stood "on the brink of default" when he assumed charge of its financial health in 2013. Throughout his appearances for the economic survey and the budget speech, he has sought to cast his track record as having turned the economy around.

"Today Pakistan is on the cusp of a high growth trajectory" he declared triumphantly, pointing to foreign exchange reserves sufficient to cover four months of imports, tax revenues that have increased by 81pc and a fiscal deficit at 4.2pc as a revival in growth gets underway. At times, it sounded less like a budget speech and more like a curtain raiser for his party's forthcoming election campaign. "By

2030, Pakistan will join the G20," he repeated several times. The budget itself cut a contrast with the rhetoric. It avoids any innovative new measures, any robust revenue lines, or any hikes in current spending, preferring to focus all its resources on brick and mortar style development.

Subsidies for the power sector have generally been kept unchanged at the level of current year. Last year the government overshot its subsidy allocation by almost 50pc, so it is not clear how they intend to remain within the allocation this year without raising power tariffs. A super tax imposed on the rich and companies for one year in 2014-5 has been extended for another year. Income taxes for salaried individuals have not seen any significant changes.

A key point of Mr Dar's speech was Rs125 billion additional financial impact on increase in salaries, allowances and pensions of civil and military officials that was not fully represented in the budget books that showed just Rs6-7 billion of increased allocations.

The finance secretary told Dawn that the government would seek to shift money from various existing heads to arrange these funds into the fiscal year, as well as seek supplementary grants down the road. He explained that a last-minute approval given to the salary hikes made it difficult to programme the funds into the allocations.

He said the additional impact of increase in salaries and pensions would be partly adjusted within various existing heads and remaining would be covered through supplementary grants down the road because this was an area approved at the last moment by the federal cabinet.

The total size of the federal budget (expenditure) has been estimated at Rs4.753 trillion for next fiscal year, about 8pc higher than Rs4.395trn budget estimates for the current year. This would include a public sector development programme of Rs1.001 trillion, almost 40pc higher than current year's revised estimate of Rs715bn. This meant the PSDP was cut this year by Rs85bn or almost 11pc to adjust for slippages on tax front whose target was also brought down by Rs100bn to Rs3.521trn.

For next year, the FBR taxes have been estimated at Rs4.013trn or Rs492bn higher than revised estimates for the current year. Non-tax revenue is estimated to increase by a nominal 2pc next year to Rs980bn from current year's budget estimates of Rs959.5bn –a target missed by about Rs48bn.

Tax revenue for the next year has been pitched at Rs4.33trn, up 9.5pc over current year's Rs3.956trn target missed by a substantial Rs131bn.

The budget deficit for the next year has been estimated at 4.1pc of GDP (Rs1.480trn) to be achieved through Rs347bn cash contribution by the provinces when compared to 4.2pc of GDP deficit during current year.

https://www.dawn.com/news/1335738

BUDGET 2017-18: RELIEF AND BURDENS OF THE FINANCE BILL
Dawn, May 27th, 2017

Mubarak Zeb Khan

ISLAMABAD: In its fifth budget, the PML-N government has imposed around Rs120bn worth new taxes. The new finance bill contains a mix of revenue and relief measures — income tax, customs, sales tax and federal excise duty (FED) for all sectors of the economy.

The breakdown of the new tax measures shows an amount of Rs47.4bn worth income tax measures, Rs52.6bn of sales tax and FED and Rs20bn customs duty.

The relief measures announced are worth Rs32.5bn. Of them, Rs1.2bn relief was given in customs, Rs18.7bn in sales tax and FED and Rs12.6bn in income tax.

Tax measures revolve around four principles — strengthening the existing reforms, enhancing cost of business for non-filers, extending further relief to farm sector, and protection to local industry.

The government has extended the levy of super tax by one more year, impose 5pc withholding of the purchase value of tobacco by cigarettes manufacturers, the rate of minimum tax was enhanced to 1.25pc from 1pc, the rate of tax on dividend income was increased to 15pc from 12.5pc, and an increased rate of 12.5pc from 10pc on dividend received from mutual funds.

To raise easy money, the Federal Board of Revenue (FBR) has further enhanced the rates of withholding taxes for non-filers in various transactions — payments made to residents and non-resident persons for sales, services, contracts, payments for prize bond, lottery, sale by auction, Commission, discount to petrol pump operators, etc.

On interest income, three new slabs were introduced — 10pc where mark-up does not exceed Rs5m, 12.5pc on mark-up income between the ranges of Rs5m up to Rs25m, while the rate will be 15pc on mark-up income exceeding the limit of Rs25m.

On stock market transactions, a flat single rate of 15pc for filers and 20pc for non-filers is introduced, and the advance withholding tax of 0.02pc on stock exchange brokers is being made final tax.

The government has withdrawn a tax credit of 3pc of tax liability available to all manufacturers who make 90pc of their sales to sales tax registered persons, the fixed tax regime on builders and developers has been reversed to normal tax regime, the commercial import of DAP fertiliser both by commercial as well as urea manufacturers will be brought under final tax regime.

The rate of withholding tax is enhanced to 1pc from 0.5pc on sales made by manufacturers, wholesaler, dealers and distributors of electronics goods to retailers, and extended the scope of the tax to batteries as well. The manufacturers and commercial importers will collect 0.1pc withholding tax on sale of batteries to dealers, distributors, and wholesales. Similarly, every distributor, dealer, wholesaler while making sales to retailers in respect of batteries are required to collect withholding tax at the rate of 0.5pc of the amount of sales.

The tax rate for corporate sector was reduced to 30pc from 31pc, withholding tax for mobile phone subscribers reduced from 14pc to 12.5pc, allowed three years exemption on profits of a start-ups in information technology, along with exemption from levy of minimum tax as well as withholding tax (as recipient) is also being accorded to such start-ups.

The government exempted 3pc advance tax on vehicles leased under Prime Minister's Youth Loan Scheme, the quantitative limit for import of raw materials by industrial undertaking, without collection of income tax at the import stage, on the basis of exemption certificate issued by the Commissioner, is being enhanced from 110pc to 125pc of the quantity imported and consumed in the previous tax year.

The threshold for payment of advance tax on the basis of latest assessed taxable income is being enhanced from Rs500,000 to Rs1,000,000 for the threshold of taxable income for individuals entitled to a deductible allowance in respect of education expenses incurred, which is being increased from Rs1,000,000 taxable incomes to Rs1,500,000.

In order to provide respite to taxpayers having life insurance policies the threshold for collection of advance tax from such non-filers is being enhanced from Rs200,000 to aggregate amount of Rs300,000 per annum. In order to provide respite to individuals and associations of persons availing health insurance the lower limit of tax credit available to such persons, on a proportionate basis, is being increased from Rs100,000 to Rs150,000.

For filers of income tax returns, withholding tax on registration and transfer of motor vehicles having engine capacity up to 850cc, 851cc to 1000cc and 1001cc to 1300 cc is being reduced from existing Rs10,000, Rs20,000 and Rs30,000 to Rs7,500, Rs15,000 and Rs25,000, respectively.

The limit of interest free loans was enhanced to Rs1m from Rs0.5m to employees for availing tax exemption, the period of tax credit for enlisting on stock market was extended for another two years. However, the rate of tax credit was reduced to 10pc from 20pc payable for each of the subsequent two tax years.

The rate of 8pc minimum tax on services rendered by Pakistan Stock Exchange was reduced to 2pc; the fixed rate of Rs5,000 per Haji extended for the tax year 2017, income of registered political parties exempted from tax, three charitable organisations — Gulab Devi Chest Hospital, Pakistan Poverty Alleviation Fund and National Academy of Performing Arts — exempted from tax, taxpayers allowed to revise withholding tax statements within 60 days, and chief commissioner can allow a taxpayer to file return despite refusal by commissioner.

The rates of withholding tax are being reduced to 2pc and 2.5pc, respectively, for companies and non-companies on fast-moving consumer goods, in order to protect the interest of small investors and to promote payment of dividends the condition regarding distribution of 50pc of paid-up capital is being removed, exempted accorded to branchless banking agents operating under the Asaan Mobile Account Scheme from withholding tax on cash withdrawals made for the purpose of making payments to their respective customers.

The concept of provisional assessment was done away with to facilitate taxpayers, in order to promote and incentivise Islamic banking, special provisions have been introduced whereby tax neutrality has been accorded in the case of Musharika financing by extending the benefit of depreciation on assets co-owned in the case of a Musharika arrangement.

The limit for expenditure incurred by pharmaceutical companies on sales promotion, advertisement and publicity was being enhanced from 5pc to 10pc of turnover.

The government has enhanced regulatory duties on 565 items mostly eatables in the range of 5pc to 15pc. This will generate alone around Rs10bn revenue for the government. The government convert flat rate of Rs250 per set into regulatory duty at the rate of Rs250 per set on mobile phones, 9pc regulatory duty on telecom equipment, regulatory duty increased to 25pc from 10pc on betel nuts, and Rs200 per kg levied on betel leaves, and concession in duty and taxes on hybrid electric vehicles above 2500cc withdrawn.

Exemption from customs duty extended on import of combined harvesters threshers up to five years old while 10pc and 20pc regulatory duty levied on five to 10 years and more than 10 years old, respectively, additional duty levied on cylinder head of motorcycles, and import of solar panels and related components were exempted from the condition of ‘local manufacturing’ till June 30, 2017 which is extended till June 30, 2018.

The customs duty was reduced to 3pc from 11pc and removal of 5pc regulatory duty on grandparent and parent stock of chicken, duty reduced to 3pc from 11pc on import of hatching eggs, reduced regulatory duty on aluminium waste or scrap from 10pc to 5pc, exempted 3pc regulatory duty on raw skins and hiders, 16pc on stamping foils, reduced duty to 11pc from 16pc on sheets for veneering rom, reduced duty to 3pc from 20pc on pre-fabricated modular clean rooms panels, exempt 3pc duty on import of ostriches and reduced duty on fabric (non-woven) for pharmaceutical industry from 16pc to 5pc.

To provide protection to local industry, 5pc regulatory duty levied on import of synthetic filament yarn (of polyesters), increased duty to 20pc from 11pc on aluminium beverage cans, reduced duty to 11pc from 20pc on uncoated polyester film and aluminium wire from 20pc to 11pc for manufacturers of metalised yarn, duty reduced from 20pc to 16pc and from 16pc to 11pc, on raw materials for manufacturers of baby diapers.

Similarly, customs duty at the rate of 5pc on bituminous coal and other similar coal. However, for the power projects in IPPs mode, customs duty on import of both types of coal reduced to 3pc, 20pc customs duty imposed on electric cigarettes, and 10pc regulatory duty on animal protein meals.

Government has proposed specific rates on various fertilizers. However, the rate on urea fertilizer will remain unchanged at 5pc ad valorem, rate of sales tax reduced on import of seven types of poultry machinery, combined harvesters and agricultural diesel engines exempted from sales tax, import of sunflower and canola hybrid seeds meant for sowing exempted from sales tax, import of multimedia projectors exempted for educational institutions, gifts and donations received from foreign governments and organizations exempted to the Federal and Provincial governments and public sector organizations.

The levy of 2pc sales tax withdrew on lubricating oils, reduction in sales tax at the rate of 50pc is available on import of Hybrid Electric Vehicles up to 1800cc and at the rate of 25pc on Hybrid Electric Vehicles exceeding 1800cc. It is proposed to maintain reduction in sales tax at the rate of 50pc on Hybrid Electric Vehicles having engine capacity up to 1800cc and restrict reduction at the rate of 25pc on engine capacity from 1801cc to 2500cc only. Similarly, reduction is proposed to be provided on local supply of the two categories of Hybrid Electric Vehicles.

Sales tax exempted on premixes to fight growth stunting, exemption provided on vehicles for construction and development of Gwadar Port and Gwadar Free Zone, exemtion on items for renewable sources of energy, and for conservation of energy, exemption on parts and components for manufacturing LED lights, sales tax withholding is proposed to be withdrawn on supplies from registered persons to other registered persons with the exception of advertisement services, reduced duty on telecommunication services from 18.5pc to 17pc.

Services which are subject to sales tax on the basis of turnover without input tax adjustment under Provincial Sales Tax Laws are proposed to be taxed in the similar manner. Exemption from sales tax is also proposed to be provided on export of IT services.

Mobile phones are chargeable to sales tax at the rates of Rs300, Rs1,000 and Rs1,500 per mobile phone set depending upon categories of mobile phones. It is proposed to merge sales tax rates of Rs 300 and Rs1,000 per set into Rs650 per set. Increase in Federal Excise Duty on cement Federal Excise Duty on cement is proposed to be enhanced from Rs1 per kg to Rs1.25 per kg. Enhancement of rates of Federal Excise Duty on cigarettes.

Steel sector is currently paying sales tax on the basis of consumption of electricity at the rate of Rs 9 per unit of electricity. The existing rate of Rs 9/unit of electricity is proposed to be enhanced to Rs10.5 and corresponding increase shall be made in ship breaking and other allied industry.

Retail sales of five export oriented sectors are chargeable to sales tax at the rate of 5pc which was enhanced to 6pc. It is proposed to levy 6pc sales tax on commercial import of fabrics. Minimum sales tax at the rate of Rs425 per metric tonne is proposed to be provided for locally produced coal.

It is proposed that the Federal Board of Revenue may assign jurisdiction to Chief Commissioners Inland Revenue who may further assign jurisdiction to Commissioners Inland Revenue under his administrative control. Notices sent to companies through electronic medium are proposed to be treated as proper service along with other prescribed modes.

Penalties are proposed to be imposed on persons manufacturing, possessing, transporting, distributing, storing, selling non-duty paid/counterfeit cigarettes.

Tier-1 retailers are under obligation to pay sales tax under normal regime. Alternatively, they have the option to pay sales tax rate of 2pc of turnover without any input tax adjustment. The said regime had been introduced under an SRO which has been struck down by the Lahore High Court. It is proposed to provide for payment of sales tax by tier-1 retailers through Sales Tax Act, 1990.

https://www.dawn.com/news/1335632/budget-2017-18-relief-and-burdens-of-the-finance-bill

NEWS COVERAGE PERIOD FROM MAY 15 TH TO MAY 21ST 2017
REFLECTIONS ON AN INCLUSIVE BUDGET
Dr Abdul Saboor

Dawn, The Business and Finance Weekly, May 15th, 2017

Regardless of the budget strategy, the majority of tax experts and development thinkers stress an inclusive approach for achieving pro-poor economic growth and sustainable development.

Therefore, rural areas and agriculture development cannot be ignored, particularly those projects and programmes that are focused on the welfare of small and landless farmers.

Before the budget presentation, a competitive race starts between politicians and economic experts regarding whose views will be incorporated. Political will is shaped by rich voters — who ultimately control a huge chunk of vote bank. Economics, as a science, is not very meaningful for such a will.

Some friction is visible across political parties on various budgetary initiatives. Similarly, economists and policy experts are also divided across many issues such as taxation, the investment environment, business incentives, and perks and privileges for the elite.

Other stakeholders, particularly the business community, have a circle of influence for gaining tax and credit benefits while government servants impart pressure for increased salaries and allied allowances. All such odd pressures and persuasions from diverse stakeholders distort the formation of the budget in a purely economic sense.

Budget calculations are quite tricky and mind boggling. Even the best experts working in the field of fiscal economics remain in doubt because of budget statistic complexities such as a weak data base and dearth of expertise in empirical data management.

Moreover, experts working in different components of the budget are hardly aware of what is happening in allied components. This compartmental isolation in budget data analysis for a common cause does not remain holistic.

One can easily observe the inconsistency in the symmetry of budget sections and lack of cohesion across statistics. Many economic activities are not accounted for in the budget revenue and tax estimations. Under such a situation, juggling with numbers becomes more important than the real-time importance and subsequent implications of those numbers for budget-making.

A standard fiscal budget needs to be ‘qualified’ in many respects, each of which is reasonably important for ensuring its inclusive nature. Rigorous analytical work is needed to be backed by all the allocations in various sectors of the economy.

Besides academic research going on throughout the year, the best thing is to arrange a series of consultation workshops of key stakeholders. For example, all provincial and districts governments can be taken on board for understanding grass root level issues and concerns of budget beneficiaries.

Similarly, chamber bodies, business associations, media persons, independent economists and commercial attaches working in various embassies can be heard for rationalising the fiscal direction in commerce, business and trade.

Special research groups can be constituted for identifying workable narratives both of the revenue and expenditure sides. A transparent analysis of what works and what does not is required.

The budget sets the course for business, commerce and trade. After the 18th Constitutional Amendment, alignment of budgetary estimations needs to be maintained with provincial budgets. A clear cut policy appendix must be given in the federal budget regarding the share and contribution of provinces in different accounts and heads.

It is also important to make q serious effort to develop a technical budget rather than a bureaucratic budget. Gender Responsive Budgeting, once a dream, should be adopted by civil society. This can be attained by cutting taxes and government fees for women.

A budget aimed at fulfilling national pledges (Vision 2025) and international commitments (e.g. SDGs) is needed — the core of which should be more cognisant of economics than politics.

After the 18th Amendment there is a serious need for developing a rational mechanism for boosting provincial revenue shares, therefore budgetary preparations should be made inclusive by taking technical support from all political parties. This is important for strengthening federalism.

Political stability is actually a proxy denominator of economic stability. It has strong connections with the annual budget which is the 'grand test' of politicians along with state economists on how they are delivering and how they intend to deliver for the economy.

But the facts and figures are not as important as their configuration across sectors, provinces, regions, communities and gender.

https://www.dawn.com/news/1333265

LEADERS VOW TO BUILD OPEN ECONOMY
Business Recorder, May 16, 2017

BEIJING: Chinese President Xi Jinping and 29 other heads of state on Monday reaffirmed their commitment to build an open economy and ensure free and inclusive trade, under the ambitious Belt and Road initiative led by Beijing.

As a two-day summit on the project in Beijing wound up, the 30 nations also agreed to promote a rules-based, non-discriminatory trading system with the World Trade Organization at its core and to oppose protectionism, according to a joint communique signed by their leaders.

In the communique, China and other nations underlined the importance of expanding trade and investment based on a level playing field.

"It is our hope through the Belt and Road development, we will unleash new economic forces for global growth, build new platforms for global development, and rebalance economic globalisation so mankind will move closer to a community of common destiny," Xi said at the close of the event.

The inclusive tone of China's Belt and Road push stands in stark contrast to US President Donald Trump's "America First" policy, which included the scrapping of the Trans-Pacific Partnership (TPP) deal, a regional trade pact involving Pacific Rim countries but excluding China.

Xi on Sunday pledged $124 billion for the new "Silk Road", which aims to bolster China's global leadership ambitions by building infrastructure and trade links between Asia, Africa, Europe and beyond.

Some Western diplomats have expressed unease about the initiative, seeing it as an attempt to promote Chinese influence globally. They are also concerned about transparency and access for foreign companies.

Germany said its firms were willing to support the Belt and Road initiative, but more transparency was needed.

European Commission Vice President Jyrki Katainen told Reuters on Monday that EU member states would not be signing ministerial statements connected to the summit, though he downplayed the significance.

"The European Commission, who has a mandate, who has the capacity to negotiate on behalf of member states on trade-related issues, we were not given a chance to negotiate on the text," he said.

"But it's not an issue. The event, what Chinese authorities have organised here, and the joint understanding of what should be done and what must be done, is very positive."

Australian Trade Minister Steven Ciobo said on Sunday Canberra was receptive to exploring commercial opportunities presented by the initiative, but any decisions would remain incumbent on national interest.

India refused to send an official delegation to Beijing, reflecting displeasure with China for developing a $57 billion trade corridor through Pakistan that also crosses the disputed territory of Kashmir.

A spokesman for its foreign ministry also said there were concerns about host countries taking on too much debt to fund Silk Road infrastructure.

Questions for investors in host countries include whether new infrastructure is useful for the local economy, what the recurring costs are and whether it creates opportunities for local suppliers of materials, labour and finance, Exotix Partners wrote in a note on Monday.

"And ultimately how much political sovereignty is sacrificed, and what is the risk to completion of projects in the event of a disorderly slowdown in the domestic Chinese economy," said the U.S. investment firm specialising in frontier and illiquid markets.

Earlier on Monday, Xi urged major multilateral institutions to join the Belt and Road initiative, stressing the importance of rejecting protectionism in seeking global economic growth.

"We need to improve policy coordination and reject beggar-thy-neighbour practices," Xi told the forum.

Xi, seated next to Russian President Vladimir Putin, was speaking at a convention centre by a lake in northern Beijing on the summit's second and final day.

"We need to seek win-win results through greater openness and cooperation, avoid fragmentation, refrain from setting inhibitive thresholds for cooperation or pursuing exclusive arrangements and reject protectionism," he said.

Xi said China's Belt and Road plan would be open to all. He said deep-seated problems in global development had yet to be addressed effectively, with international trade and investment sluggish, and economic globalisation encountering headwinds.

"In a world of growing interdependency and challenges, no country can tackle the challenges, also the world's problems, on its own," Xi said.

Philippine President Rodrigo Duterte and Italian Prime Minister Paolo Gentiloni were also at the meeting, as were the heads of the United Nations, International Monetary Fund and World Bank.

Xi said China would host the second Belt and Road Forum in 2019.

"We have every reason to be confident in the future of the Belt and Road," Xi said. "That said, there is still a long way to go as the Belt and Road is a long-term undertaking."—Reuters

http://epaper.brecorder.com/2017/05/16/1-page/875305-news.html

FBR TO SIMPLIFY LAWS TO UNDERCUT SHADOW ECONOMY
Dawn, May 19th, 2017

Mubarak Zeb Khan

ISLAMABAD: The Federal Board of Revenue (FBR) is expected to consider a set of proposals for documenting the informal economy through steps such as simplifying tax laws and discouraging the use of cash, an official source told Dawn on Thursday.

The Tax Reforms Commission (TRC) has also submitted a detailed plan to the FBR. It has been proposed that a high-level commission or committee should be set up to develop a specific plan, similar to the ones developed and being implemented in India and Turkey.

For instance, in its three-year action plan for 2011-13, Turkey took various actions to increase voluntary compliance, strengthen audit capacity, increase deterrence and sanction, share data base and raise public awareness.

The committee would also monitor and evaluate the action plan, and identify actions to improve documentation.

The action plan will be initially developed for three years to minimise the size of the informal economy by at least 30 per cent.

According to the source, the FBR will revise upward the property valuation table to generate more revenue from the sector. "We have achieved significant progress by taxing the black money landed in real estate in the current fiscal year," the source said.

Raising the values would also help document untaxed money in the real estate sector. Immoveable property is a sector where significant amount of untaxed money is parked, especially due to the difference in fair market value and the collector rates, which in most cases is less than 25pc of the fair market value.

A former TRC member told Dawn that the government has agreed on most of the recommendations of the committee to be considered in the upcoming budget.

One of the agreed proposals was the simplification of tax laws. “The committee has already submitted details to the FBR,” the TRC member said.

“We have also submitted details to facilitate taxpayers in the next budget,” he said, adding that services such as acquiring passport and travel should be linked with the filing of returns.

It was also proposed to seek information regarding the source when remittances exceed a certain limit. It has also been suggested that a national tax court or special tax benches should be set up to speed up the justice system.

https://www.dawn.com/news/1334046/fbr-to-simplify-laws-to-undercut-shadow-economy

BUDGET PROPOSALS

Huzaima Bukhari and Dr Ikramul Haq

It is now well-established that there is a direct link between growing poverty in Pakistan and distortion in tax base since 1991, when a major shift was made by introducing presumptive taxes (indirect taxes in the garb of income tax) and VAT-type sales tax. Since 1991, the burden of taxes on the poor has increased by 38 per cent whereas on the rich it stands reduced by 18 per cent.

The lack of judicious balance between direct and indirect taxes has pushed an overwhelming majority of Pakistanis towards the poverty line. Their number is now more than 60 million. The Federal Board of Revenue (FBR) claims that the share of direct taxes is increased to 40%. It is incorrect. From income tax collection, if presumptive taxes are excluded, its share in total collection will hardly be 25% or even less. It confirms that present taxation system is highly regressive. The international lenders are least pushed about the inequitable character of our tax system, under which the burden of taxes is less on the rich and more on the poor. They are merely interested in getting their money back with interest and rightly so.

Over the period of time, our tax system has become rotten, oppressive, unjust and target-oriented. There is a dire need for discussing the philosophical framework, principles of equity and justice, which should be the main concern of our tax policy; not simply achieving of targets. Our fiscal managers want to meet budgetary targets through oppressive taxes, shifting incidence on the poorer segments of society and exempting the rich. We must enforce income tax and reduce progressive taxes. Undoubtedly, 17% sales tax (on many items over 35%, e.g., on some petroleum products) has proved inflationary and its impact on business and industry has proved destructive.

The following amendments are also urgently needed and should be considered in the forthcoming budget:

Advance Tax

In Pakistan, under the repealed Income Tax Ordinance, 1979 (until assessment year 1995-1996), three specific characteristics were the hallmarks of advance tax, viz.

1. Advance tax was paid by the taxpayer on the basis of last declared/assessed/estimated income for that assessment year;

2. Credit for any advance tax collected for an assessment year was accounted for in that year and not the year of collection; and 3.6% mark-up on the amount retained as advance tax was paid to the taxpayer at the time of assessment thereby compensating his cost of funds or opportunity cost for the period his money remained with the government.

The above should be revived by suitably amending section 147 of the Income Tax Ordinance, 2001.

Refunds/compensation

Presently, refunds of billions are stuck. This issue needs a systemic analysis. The refunds should be as expeditiously as demands are collected. The following should be made effective and mandatory through statutory provisions so that no one can exercise discretionary powers:

* Income and sales tax refunds should be issued without application within 90 days of their becoming due.

* There should be automatic payment of compensation if any refund is issued after 90 days.

* The officer responsible for incurring compensation should be made liable to pay the amount from his salary.

* There should be zero tax regime for exporters to avoid refund accumulation.

Recovery

The recovery should be after the decision of the Tribunal and not before that. Banks accounts should not be attached without prior notice to the taxpayer and after seeking approval in writing of Commissioner in the light of reply submitted by the taxpayer.

Independent Tax Justice System

In developing economies like Pakistan, one of the biggest problems is a relatively small tax base and the reluctance of ordinary people to file tax returns and thus submit themselves to scrutiny of their affairs by the tax administration. However, once a taxpayer professes faith in the effectiveness of legal remedies against an unjust tax levy or unjust action of the taxation authorities, he would be more likely to be truthful to the taxation authorities, and willing to accept a reasonable levy of tax.

To a tax collector, an efficient tax judiciary ensures that demands arising out of legitimate tax assessments, which can stand scrutiny of law, are not unnecessarily locked up in litigation. As long as there is a pending litigation in relation to a particular tax levy, there is a natural, and quite understandable, desire on the taxpayer’s part not to pay the disputed amount during pendency of litigation. An efficient tax judiciary resolves disputes quickly, quashes demands which are not legally sustainable, and thus segregates serious tax demands from frivolous tax demands, as also giving finality to legitimate tax demands. This in turn ensures that taxpayers cannot resort to dilatory tactics for paying these genuine and legitimate tax demands which have received judicial approval. An efficient tax judiciary thus helps remove impediments from collection of genuine tax demands by the State, which, once again, results in greater resource mobilization.

An effective tax judiciary does not only settle tax dispute between a taxpayer and the State, but it also lays down principles on the basis of such resolved disputes which provide guidance for the future. These decisions, which have precedence value in the sense that same decision has to be taken on materially identical facts, also have normative effect thus helping in correcting the judicial course. This way, an effective tax judiciary also contributes to smooth functioning of the tax machinery.

To make Tribunal a truly independent forum, it is imperative to:

1. Replace existing 4-tier appeal system under the tax laws—direct and indirect—with two-tier system. The Customs Tribunal and Appellate Tribunal Inland Revenue should be merged into singular National Tax Tribunal. Like the Services Tribunal this too should work under direct supervision of the Supreme Court. Appeals against its decisions should go directly to the Supreme Court.

2. After merging Appellate Tribunal Inland Revenue and Customs Tribunal, the new entity should be renamed as National Tax Tribunal. Appeals against the orders of the Tribunal should lie with the Supreme Court alone. Members for Tax Appellate Tribunal should be recruited in the same manner as judges of High Court. The pay, perquisites and salary structure of Chairman, members and staff should be at par with the Judge of a High Court, Sessions Judge and staff of the lower judiciary respectively.

(The writers, lawyers and partners in Huzaima, Ikram & Ijaz, are Adjunct Faculty at Lahore University of Management Sciences)

http://epaper.brecorder.com/2017/05/19/20-page/876239-news.html

RS2.1TR DEVELOPMENT SPENDING APPROVED FOR NEXT YEAR TO BOOST GROWTH RATE
Dawn, May 20th, 2017

Khaleeq Kiani

ISLAMABAD: With substantially higher allocations for special regions – AJK, Fata, Gilgit-Baltistan and Balochistan – the National Economic Council on Friday set country’s total development budget for next year at Rs2.140 trillion with focus of investments on roads and energy to boost economic growth rate to six per cent.

Shown signs of popular moves, the prime minister’s two new initiatives worth Rs25 billion were made part of the development plan including Rs12.5bn each for ‘Electricity to All’ and ‘Clean Drinking Water for All’. This was in addition to major focus on non-core PSDP that included Rs30bn for PM’s Global Sustainable Development Goals to be spent through political leaders, Rs40bn Special Federal Development Programme, Rs45bn each for security enhancement and relief and rehabilitation of internally displaced persons.

Presided over by Prime Minister Nawaz Sharif and attended by all the four chief ministers, the prime minister of Azad Kashmir, Chief Executive of GB and Governor of KP representing tribal region, the meeting also approved macroeconomic framework for next year envisaging increase in inflation to 6pc from 4.1pc of this year and total investments to 17.2pc of GDP from current 15.8pc.

Speaking to journalists after presiding over the meeting, Minister for Planning and Development Ahsan Iqbal said the federal Public Sector Development Programme (PSDP) was approved by the NEC at Rs1.001tr for next year, up 25pc from Rs800bn of the outgoing fiscal year. This would include a foreign financing of Rs166bn.

He said the prime minister pleaded a special case for AJK, Fata and GB and directed that a special formula be designed in the National Finance Corporation (NFC) for allocation of funds for these areas that could not be given the provincial status due to legal complications but were part of Pakistan and their people required to be treated like the people of four provinces.

He then directed the increase in block allocations for AJK to Rs22bn from current year’s allocation of Rs12bn and this was the largest increase in history to speed up the pace of development. Likewise, the block allocation for GB was jacked up from Rs9bn to Rs15bn while Fata’s share was increased to Rs24.5bn from Rs21bn this year.

Likewise, a special amount of Rs17bn was also allocated for Balochistan, Mr Ahsan said, adding that this was on top of federal programmes and was aimed at improving water resources and invest in areas of provincial domain.

The cumulative provincial annual development plans (ADPs) were estimated at Rs1.140tr against Rs875bn of this year, about 27pc higher. This included Punjab’s Rs600bn followed by Sindh at Rs263bn, Khyber Pakhtunkhwa at Rs202bn and Balochistan at Rs75bn.

The minister said another Rs400bn would be spent by corporations like Wapda and NTDC from their own resources that would put the country’s total development outlay well above Rs2.5tr.

Explaining priorities of the development plan, he said infrastructure would be given Rs414bn, including Rs320bn to National Highway Authority, Rs43bn to Railways and Rs44bn for other transportation modes like aviation etc.

A total of Rs404bn would be spent on energy sector including Rs87bn from PSDP and Rs317bn to be raised by Wapda/NTDC. About Rs180bn have been earmarked for other China-Pakistan Economic Corridor (CPEC) projects. Social sector allocation, have also been increased to Rs153bn from Rs90bn.

As such, the core PSDP would be put at Rs866bn next year against Rs655bn of current year while non-core development spending would amount to Rs135bn. A special allocation of Rs27bn has been made for completion of CPEC projects.

Mr Ahsan Iabal said the initiatives taken by the PML-N government had delivered 5.3pc GDP (gross domestic product) growth rate after a gap of a decade – a great achievement for the entire nation that was trapped in 3pc to 3.5pc growth rate four years ago. The increase in growth rate, he claimed, was because of steps taken towards macroeconomic stability, infrastructure development, energy supply and human resource development.

For achieving the 6pc GDP growth rate, the agriculture sector is targeted to maintain its current year growth rate of 3.5pc while important crops would grow by 2pc instead of 4.1pc this year. Manufacturing sector is projected to grow by 6.4pc next year instead of 5pc this year contributed by 6.3pc increase next year compared to 4.9pc this year.

The services sector was also expected to grow by 6.4pc instead of 6pc this year while livestock would slow down to 2pc growth instead of 3.4pc increase this year.

Mr Iqbal said the completion of China-Pakistan Economic Corridor (CPEC) was one of the top objective of the government and hence Rs324bn would be given to the National Highway Authority (NHA).

The minister said export decline was a major challenge for Pakistan because of contraction in leading world markets.

Therefore, allocations had been made for cluster development in agriculture, mining and industry to secure growth in entire supply chain of value addition. Based on this, exports are projected to grow by 6.4pc next year to $23.1bn against decline this year at $21.7bn. At the same time, import growth target has been set at 9.6pc to $50bn instead of $45.7bn this year.

As a result, the next year trade deficit has been estimated at $26.9bn against $24bn this year while current account deficit would increase to $10.4bn compared to $8.3bn this year. As such, current account deficit would amount to 3.1pc of GDP against 2.7pc this year.

He said to promote modern education Rs35bn had been allocated for Higher Education Commission.

He said initiatives like start-up and innovation packages would be launched so that youth could start businesses, while steps like big data cloud computing, cyber security and automation and robotics were being introduced.

https://www.dawn.com/news/1334235/rs21tr-development-spending-approved-for-next-year-to-boost-growth-rate

NEWS COVERAGE PERIOD FROM MAY 8TH TO MAY 14TH 2017
PSX HITS RECORD HIGH OF 50,936 POINTS
Dawn, May 9th, 2017

Dilawar Hussain

KARACHI: Pakistan stocks stormed to an all-time high on Monday as the benchmark KSE-100 index showed a massive gain of 1,084 points, or 2.18 per cent, to close at 50,936 points.

The spectacular rally was fuelled by the investors’ enthusiasm over the upgrade of the Pakistan stock exchange to the Morgan Stanley Capital International (MSCI) Emerging Market Index on June 1.

Pakistan equity index was a part of the MSCI emerging market index, but the crash of 2008 prompted the market regulators to shut the exit door for the foreign investors, which did not find favour with the MSCI that relegated the KSE-100 to a junior 'Frontier Market'.

"The investors at the Pakistan stock market are expecting an inflow of $200-$400 million following the KSE-100 index reclassification to the MSCI EM," said former PSX chairman Arif Habib.

The PSX also hit another milestone on Monday as its market capitalisation crossed over the Rs10 trillion mark.

Pragmatists believed that the euphoria was carrying the stock prices into uncharted territories. But the market was flush with liquidity. "With no place to park the money, given the dismal returns provided by banks and a stagnating commodity and property market, investors' rush to the equity market is understandable" said a major stockbroker.

The Pakistan equity market stood out as the best performing market in Asia with a return of 46pc last year.

https://www.dawn.com/news/1331923

CALL FOR A LONG-TERM ECONOMIC POLICY
Business Recorder, 11 May 2017

KARACHI: The president of the Korangi Association of Trade and Industry (KATI), Masood Naqi, has said that long-term policymaking, with consultation with the business community, is a long-awaited proposal of the community and must be fulfilled.

He said that for the betterment of the country's economy, necessary measures to promote industry should be taken.

He pointed out that many announcements were made in the past regarding relief and development packages for export and the industry, but they have not been fulfilled yet.

He said that the promises made with the industrialist and exporters community, to announced packages should be fulfilled.

Masood Naqi said that billions of tax refunds are still pending which is causing sever issues to industrial and export sector.

He demanded inclusion of these packages and projects of industrial infrastructure development in budgetary allocation and should be covered with proper lawmaking process.

He said that due to declining exports foreign reserves are unstable once again and it is possible that the government will have to engage the IMF again.

http://epaper.brecorder.com/2017/05/10/21-page/873961-news.html

ECONOMY FACES ENDURING CHALLENGES: IPR

Business Recorder, May 10, 2017

HASSAN ABBAS

LAHORE: The Institute of Policy Reforms (IPR) report states that economy of Pakistan faces enduring challenges like twin fiscal and current account deficits, insufficient funds for services and investment, and ineffective public spending.

“There are indications that energy prices may increase again. This will increase pressure on the Balance of Payment and on inflation. The latter has been in control recently. Manufacturing growth is well below target and agriculture has only modestly recovered from last year’s radical decline. Exports are stagnant,” the Report said.

The IPR report released on Tuesday shows concerns with the way government makes the budget. Both its stated goals and estimates often turn out to be misplaced. In most years, the budget sets out to realize the aims of growth and poverty alleviation. However, few measures in the budget support these goals. Similarly, Government of Pakistan (GoP) forecasts a lower than justified target for the fiscal deficit. It usually gives higher revenue and lower expense amounts than circumstances merit. It also uses high provincial surplus estimate to bridge the gap.

The report gives comprehensive proposals for the coming budget. It says that without an overall strategy, the new budget will again tweak at the edges. It also says that a meaningful budget should be guided by a medium-term economic strategy. So far, it seems that this is being done in name alone. Clarity of goals and coherence in government plans are important for economic management. The report called upon the government to respond especially to the balance of payments challenge. Depending on Chinese largesse is not a plan.

The Report says to earn more revenue, GoP must make hard choices that affect the political economy of tax avoidance and evasion. To make spending more effective, it must revisit subsidies for Public Sector Entities (PSEs) and power supply.

The government should focus on debt management and development priorities. Government has done well at fiscal consolidation recently. In fact, 2015-16 was the first time in years that FBR achieved its target. Yet, for many reasons we are far from having a stable macro economy that can underpin growth.

The budget cannot meet all the above challenges, but it must begin to move the economy in the right direction. That is possible only if it is part of a strategy, because most important shifts must take place before preparation of the budget.

The report calls on GoP to strengthen the macro framework. This is possible by increasing government revenue through broadening the tax base, reducing exemptions, and strengthening compliance. There is also need for structural tax reforms through simplified procedures, rationalized systems, and removal of distortions.

On the other hand, GoP must rationalize expenditure and to the extent possible increase the share of development spending. It must reduce subsidies by reforming or privatizing PSEs. There is urgent need also to review the power sector policy structure.

The present power policy will take us back to a dead end after initial improvement. The report especially raises the issue of governance. No economic policy will work without governance improvement. Pakistan performs poorly in all governance indicators with the result that in most areas government is a hindrance rather than a support to economic activity.

The Public Sector Development Program (PSDP) has too many projects with an average throw forward of eight years. To be effective it must keep just those projects that directly support growth in priority sectors.

The above proposals will help with competitiveness of the economy. There is need also to focus on urban infrastructure so that cities support economic growth and serve as service clusters. Skills development and R&D too are key for the economy, especially for priority sectors. Such support must go with setting up industrial parks under CPEC.

"We must offer opportunity to the young and those outside the economic mainstream. This is important for economic progress and social stability. GoP can stimulate private sector investment through access to credit and make an earnest review of regulations that reduce barriers to investment. It should make major investment in training of youth. Training centres may collaborate with international providers of mass open online courses to train millions of young people each year," Report said.

At the same time, GoP must link unemployed youth with an existing social security system e.g. BISP. It must promote export of workforce by providing skills training with international certification.

The budget must also keep an eye on the country's need for stability. The data is instructive. Pakistan has a young population with about 60% people below the age of 25 years. This means there are about 120 million young people in the country. While overall unemployment in the country is below 6%, 11% of the young are without jobs. Two million young people enter the job market each year. GoP estimates that 22.6 million children are out of school. About a third of the young suffer from malnutrition that could affect their cognitive skills forever. These numbers are important. It shows how Pakistan has lost the potential that a young population offers. Such disadvantages are also drivers of instability as they cause alienation. All over the world, populist ideologies have captured the imagination of young minds. In Pakistan, this has happened for many years.

http://epaper.brecorder.com/2017/05/10/13-page/873878-news.html

NEWS COVERAGE PERIOD FROM MAY 1ST TO MAY 7TH 2017
ADB TIES $400M LOAN TO MERGER OF TWO BOARDS
Shahbaz Rana

ISLAMABAD:

As Pakistan sinks deeper into the debt trap, the Asian Development Bank made the merger of the Alternative Energy Development Board (AEDB) with the Private Power Infrastructure Board (PPIB) conditional with qualifying for a $400 million loan.

It is one of nearly half a dozen conditions that the ADB has imposed for sanctioning the third tranche of funds for the Sustainable Energy Sector Reforms, said sources familiar with the development.

A $100-million loan offered by the French Development Agency (AFD) is also pegged with ADB's $300-million energy sector loan.

The government would require the federal cabinet's approval to merge the two bodies, the sources said. There was a possibility to get the cabinet's approval by circulating the summary in view of the urgency, they added.

Another major condition is amending the National Electric Power Regulatory Authority (NEPRA) Act of 1997, said the sources.

The government has already approved the draft of a tripartite power purchase agreement to meet the condition for the $400-million loan.

About the ADB's demand regarding AEDB-PPIB merger, sources said the energy board was no longer needed after provincial governments started issuing Letters of Intent (LoIs) for renewable energy projects.

The AEDB was set up in 2003 to promote the development of renewable energy in Pakistan. But the AEDB remained in the news for all the wrong reasons, including misuse of public funds.

The PPP government also attempted to merge the AEDB with the PPIB, but never implemented the plan.

The PPIB was created in 1994 as a one-window facilitator for promoting private sector's participation in the power sector.

Pakistan is seeking $700 million for a balance of payments support over a two-month period from ADB and France to divert pressure from its external account strained by a growing trade deficit. The surge in imports complicated the government's economic woes.

ADB borrowings are critical for the government's plans to delay the next International Monetary Fund (IMF) programme at least till general elections, said the sources. The plan includes more borrowings from China, World Bank and commercial banks.

The federal government has already borrowed over $3 billion from foreign commercial banks to support balance of payments, including $1.3 billion from China. The central bank also borrowed $3.93 billion, mainly from commercial banks for up to three months to artificially maintain foreign exchange reserves at $16 billion level.

The $3.925 billion loan is part of the $16 billion reserves held by the SBP that are currently under pressure because of growing obligations of debt servicing and imports of heavy machinery under the China-Pakistan Economic Corridor (CPEC).

For amending the NEPRA Act, the federal government needs approval of the Council of Common Interests (CCI) – the highest constitutional body dealing with subjects falling under the joint controls of the Centre and the federating units.

The CCI is expected to meet on Tuesday (today).

The Ministry of Water and Power has already proposed these amendments in the Nepra Act. These amendments relate to giving more powers to the federal government by binding Nepra to implement instructions on policy matters.

Another key proposal is appointment of power sector experts as its members, instead of politically-favoured retired officers.

For last few years, the Ministry of Water and Power and NEPRA are in uneasy relationship, as the government blames the regulator for setting up unrealistic targets on reducing line losses and recovery of bills. The government also has issues with determination of electricity tariffs for new energy generation and transmission projects.

However, the Nepra is against such amendments in the law that compromis itsautonomy.

https://tribune.com.pk/story/1398695/adb-ties-400m-loan-merger-two-boards/

‘PAKISTAN ON PATH OF SUSTAINABLE ECONOMIC GROWTH’
Dawn, May 7th, 2017

YOKOHAMA: Finance Minister Ishaq Dar on Saturday said that Pakistan has achieved macroeconomic stability and is now focused on realising a higher sustainable growth as part of its economic turnaround.

Speaking at the round-table on ‘Responding to Rising Inequality’ on the eve of Asian Development Bank’s (ADB) 50th annual meeting of board of governors, Mr Dar said the developing world had made remarkable progress in lowering poverty in the last two decades. Asia was leading that endeavour of reducing poverty through its phenomenal economic growth.

He added that Pakistan’s Vision 2025, which prioritised investments in human capital and social services, recognised the importance of inclusive and balanced growth, and shared prosperity aiming at redressing geographical and social inequality.

The finance minister mentioned Pakistan’s positive economic indicators including achievement of higher GDP and substantial decrease in fiscal deficit. He stated that due to economic stability achieved in last three years, PricewaterhouseCoopers in its latest report has projected Pakistan to join G-20 by 2030.

He expressed the confidence that development partners, including the ADB, would play an important role in addressing the issue of inequality. Mr Dar also attended ADB’s governors’ seminar and held a meeting on the margins with the Executive Secretary of UNESCAP Ms Shamshad Akhtar.

Earlier, he participated in the 11th informal meeting of the South Asian Association for Regional Cooperation (Saarc) Finance Ministers on the sidelines of the ADB conference. He emphasised that intra regional trade was far below its potential and there was a need to expedite the process of trade liberalisation programme under South Asian Free Trade Area.

In a meeting with the Organisation of the Petroleum Exporting Countries Fund for International Development's (OFID) delegation, headed by Ms Cordero, the minister acknowledged the role of OFID as a reliable development partner. He mentioned the establishment of Pakistan Development Fund and Pakistan Infrastructure Bank and also expressed the desire to further strengthen relations with OFID through interaction and support at all levels.

He also met with a German delegation, headed by Parliamentary State Secretary Mr Hans-Joachim Fuchtel and appreciated Germany's continuing cooperation with Pakistan dating back to 1961 encompassing energy, health, education, governance, sustainable development and micro finance sectors. He stated that Germany is Pakistan's largest trading partner within the European Union.

https://www.dawn.com/news/1331494

BUDGET DEFICIT WIDENS ON UNREALISTIC REVENUE, EXPENSE FORECASTS
The Express Tribune, May 7th, 2017.

Shahbaz Rana

ISLAMABAD: The budget deficit in first nine months of the current fiscal year widened to Rs1.238 trillion, almost equal to the full-year target, as rosy revenue and suppressed expenditure projections finally came to haunt the economic policy-makers.

Owing to the higher-than-targeted budget deficit on the back of heavy spending, the federal government heavily borrowed from July through March, exceeding the annual domestic borrowing limit.

It also nearly touched the annual external borrowing target, consuming 94% of the ceiling in the first nine months (July-March).

In July-March FY17, the budget deficit stood at Rs1.238 trillion or 3.7% of gross domestic product, according to a summary of the Consolidated Fiscal Operations released by the Ministry of Finance.

The deficit is close to the annual target of Rs1.276 trillion or 3.8% of GDP. Expenditures, mainly current, overshot the estimates while revenues remained far below the target.

This highlights that the finance ministry has failed to manage its books according to the plan approved by the National Assembly in June last year.

Details of revenues and expenditures of the federal and four provincial governments show that the finance ministry will have to release a huge supplementary budget this year, although the Supreme Court has barred the ministry from doing that without prior approval of the federal cabinet.

Provinces fared far better than the federal government and remained by and large on track except for Khyber-Pakhtunkhwa that recorded a deficit instead of creating surplus. Other three provinces cumulatively recorded a cash surplus of Rs137 billion for the federal government, which restricted the overall deficit to 3.7% of GDP.

Pakistan has already informed the International Monetary Fund (IMF) that the overall budget deficit will surge to Rs1.373 trillion or 4.1% of GDP by the end of this fiscal year.

However, the nine-month data suggests that even the revised 4.1% target will be missed by a wide margin and the IMF’s projections of 4.5% or Rs1.5 trillion will be true.

Of late, the finance ministry has come under pressure to release funds to the power sector as the allocation of Rs118 billion for power subsidies appears highly understated.

This year’s higher deficit will also affect next fiscal year’s deficit target and the government will have no choice but to set the new target at around 4% of GDP.

Against the annual revenue estimate of Rs3.956 trillion, the collection in the first nine months stood at Rs2.5 trillion or 62% of the target, according to the summary.

The shortfall was on both tax and non-tax revenue sides. The Federal Board of Revenue (FBR) received Rs2.26 trillion or 62% of the annual target. Other taxes amounted to Rs203 billion or 60% of the target.

The government took a major hit in non-tax revenue collection, which stood at Rs402 billion or just 42% of the annual target.

Unlike the impression that the shortfall was mainly because of less receipts of the Coalition Support Fund (CSF) from the US, the receipts on account of interest payments by public sector enterprises, dividends, State Bank of Pakistan (SBP) profit and royalty on oil and gas also remained significantly low.

The central bank gave Rs144 billion in profit, which was half of its annual target. CSF receipts were Rs64.4 billion or 37% of the annual target. Mark-up receipts stood at 15% of the target and dividends at only 25% of the target.

Total expenditure stood at Rs2.8 trillion or 63% of the annual target. However, the major slip was on account of current expenditures that increased to Rs2.5 trillion or 72% of the annual target.

In this category, the servicing of domestic debt consumed Rs1.1 trillion or 81% of the annual allocation. The external debt servicing amounted to Rs84.6 billion or 75% of the annual allocation.

Development expenditures amounted to just Rs327 billion or 41% of the annual allocation – a direct result of higher current expenditures.

The federal government booked Rs1.4 trillion budget deficit and in order to fill the gap it borrowed Rs1.245 trillion from the domestic market. Domestic borrowings were 119% of the annual target.

Similarly, it obtained a net Rs220 billion in foreign loans for budget financing, which was 94% of the annual target.

https://tribune.com.pk/story/1403211/budget-deficit-widens-unrealistic-revenue-expense-forecasts/

June 2017

NEWS COVERAGE PERIOD FROM JUNE 26TH TO JULY 1 ST 2017

PAKISTAN STILL SUSTAINS TAX LOSSES WORTH RS3.2TR

The Express Tribune, June 29th, 2017.

Shahbaz Rana

ISLAMABAD: A recent World Bank report has suggested that Pakistan is still sustaining tax losses worth Rs3.2 trillion every year due to weak administration and non-compliant taxpayers, but these losses are slightly lower than previous estimates, indicating the narrowing down of tax gap.

Pakistan’s tax capacity is estimated at 22.3% of gross domestic product (GDP) – the total size of national economy, according to the report. At the current market price, this translates into Rs7.2 trillion.

However, the country’s projected tax-to-GDP ratio is 12.5% or Rs3.9 trillion for fiscal year 2016-17, ending this Friday. This implies a tax gap of 9.8% of GDP or Rs3.2 trillion.

The size of tax gap is directly related to the extent of tax evasion in the country.

The new estimated gap is lower than the previous projection when the tax-to-GDP ratio was around 11.5%. However, the entire improvement came as a result of new tax policy measures as the Federal Board of Revenue (FBR) is still struggling to improve its administration.

The World Bank prepared the brief report recently for the approval of a $5-million project called “Mobilise Domestic Revenues by Strengthening Tax Systems as Development Tools and Building Tax Policy Analysis Capacity”. The money is being provided by the Department for International Development of the United Kingdom in grant to Pakistan through the World Bank.

The bank said revenue mobilisation, from a very low baseline, had substantially increased in the first year of a reform programme. The tax-to-GDP ratio has steadily risen from the 2013-14 baseline of 10.5% to 12.4% in 2015-16.

“While this progress is encouraging, Pakistan’s tax capacity is estimated at 22.3% of GDP,” it added.

Independent economists, however, believe that the tax capacity of 22.3% is too high for a country like Pakistan. “This estimate is absurd, if the government tries to achieve this, it will kill the local industry,” said former finance minister Dr Hafiz Pasha.

He said another study carried out in cooperation with Adam Smith International put Pakistan’s tax capacity at less than 17%. This means the tax gap is 4.5% of GDP or Rs1.4 trillion.

Special Assistant to the Prime Minister on Revenue Haroon Akhtar Khan expressed the hope last week that Pakistan would achieve 12.5% tax-to-GDP ratio by the end of current fiscal year.

He emphasised that all the policy measures taken over the past four years did not yield desired results. Major revenue flows came from higher rates for non-compliant people and withdrawal of tax concessions, said Khan.

It seems that the biggest problem is weak enforcement. In Pakistan, 4.2 million are registered National Tax Number (NTN) holders, but only 1.23 million file tax returns. The FBR could not do anything about the 2.97 million people who are not filing the returns. Similarly, against the 192,000 people registered with the sales tax department, only 119,000 filed their returns.

The World Bank report underlined that in order to sustain gains of past years and close the tax gap, longer-term improvements in tax administration were required to meet the 14.5% tax-to-GDP ratio target by 2020.

The World Bank’s $5-million initiative is aimed at enhancing information management systems, setting up a tax intelligence unit and a market monitoring and intervention unit and preparing analytical reports on a regular basis for decision-making.

Pakistan’s economy is struggling to recover slowly from a low-investment, low-growth trap. This has been caused by a weak external position and a consistently weak fiscal position, stemming largely from poor revenue mobilisation.

The new programme has been based on lessons learnt from the 2005-11 Tax Administrative Reform Project (Tarp), which is considered one of the most unsuccessful World Bank-funded projects in Pakistan.

The bank said the success of Tarp was restricted by inadequate technical assistance, a limited local presence and low prioritisation of tax policy reforms.

It added the new programme “Multi-donor Trust Fund for Accelerating Growth and Reforms” (TAGR) had provided on-demand technical assistance at the federal and provincial levels, a significant local presence and availability of result-based lending instruments.

The bank believes that a good analytical capacity will allow Pakistan establish revenue targets in a better way, improved understanding of loopholes and tax fraud patterns and better understanding of tax system complexities.

It said the existing FBR infrastructure purchased with the last Tarp project, which was completed in 2010, was out-dated and unable to meet growing demand.

Despite the strategic importance of data and analysis, the FBR lacks both modern data centres and the institutional set-up and capacities to convert data into intelligence, according to the report.

As such, there is a critical need to modernise data centres and set up dedicated research and analysis units for performing analytical studies on revenue forecasting, compliance gaps, compliance and administrative costs and the impact of tax policies.

https://tribune.com.pk/story/1445679/pakistan-still-sustains-tax-losses-worth-rs3-2tr/

NEWS COVERAGE PERIOD FROM JUNE 19TH TO JUNE 26 TH 2017
LAW TO REGULATE BUDGET
Dawn, June 20th, 2017

Ahmed Bilal Mehboob

DESPITE all the protests, walkouts and boycotts by the opposition, the National Assembly has passed the federal budget for the next financial year. There was hardly any doubt about the ritualistic passage of the budget as we have been witnessing year after year. The budget debate spanned 12 days which precisely matched the 15-year average and consumed about 37 hours, slightly higher than the average of 34 hours. Both the duration and the time spent on the budget debate are among the lowest in the world.

While the duration of the budget session needs to be increased and parliamentary committees must also play a significant role in scrutinising the budget, there are some other aspects of the process which need careful attention. The most disturbing aspect is the unlimited powers of the executive to alter the budget after it is passed.

On May 29, this newspaper carried a well-researched report about the 'supplementary budget' amounting to Rs310.5 billion which was either re-appropriated (shifted from one — approved — head to another) or spent in excess of the budget 2016-17 passed by the National Assembly in June 2016. The finance minister sought ex post facto approval of the Assembly for these supplementary demands for grants, and as the amount has already been spent, the Assembly hardly has a choice in the matter except to approve the supplementary budget.

This was not something unique to this year alone; supplementary budgets have always been an integral part of the budget process. These grants were meant, in the words of the finance ministry, "to provide for expenditure for purposes that were not foreseen at the time of finalisation of grants". But, as the Dawn research revealed, these supplementary grants covered such expenses as increased subsidies, discretionary grants by the prime minister, lawyers' fees for international arbitration, purchase of vehicles, holding of the Saarc summit, the prime minister's publicity campaigns and grants to various sports federations. Also included in the supplementary budget were such large sums as Rs22.5bn for the prime minister's development schemes for parliamentarians!

Most of these expenses could have been reasonably anticipated when the original budget was passed and included at that time with reasonable accuracy. However, since a handy tool was available to play with the approved budget and because it would enable even the nominal scrutiny which parliament carries out during the budget debate to be avoided by including the expenses in the supplementary budget, government after government has used the tool of supplementary grants without restraint.

Governments in Pakistan derive their power to alter the budget approved by the Assembly from Article 84 of the Constitution by interpreting it in the most liberal and expansive manner.

This article, 'Supplementary and Excess Grants', states that "If in respect of any financial year it is found (a) that the amount authorised to be expended for a particular service for the current financial year is insufficient, or that a need has arisen for expenditure upon new service not included in the annual budget statement for that year; (b) that any money has been spent on any service during a financial year in excess of the amount granted for that service for that year; the federal government shall have power to authorise expenditure from the Federal Consolidated Fund, whether the expenditure is charged by the Constitution upon the fund or not, and shall cause to be laid before the National Assembly a supplementary budget statement or, as the case may be, an excess budget statement, setting out the amount of that expenditure, and the provisions of Articles 80 to 83 shall apply to those statements as they apply to the annual budget statement".

As one can see, Article 84 does not set a deadline or a time frame for submitting the supplementary budget; the governments, therefore, do that as late as it is possible which is with the next year's budget.

This practice has not gone unnoticed by the superior judiciary. The Supreme Court, in its judgement of Dec 5, 2013 while examining the alterations made in the budget for 2012-13 by the outgoing government of then prime minister Raja Pervaiz Ashraf just before the next election, held that "the amounts as approved in the budget passed by the National Assembly have to be utilised for the purpose specified in the budget statement. Any re-appropriation of funds or their utilisation for some other purpose, though within the permissible limits of the budget, are not justified…"

The court also referred to the government's financial rules and inferred that one of them "indicates that in the case of supplementary grants, the assent of the National Assembly is to be obtained before these funds are made available".

The continuing practice of placing the supplementary budgets before the Assembly after the expenses have been incurred is apparently in violation of at least the spirit of the Supreme Court judgement. In order to stop the unbridled practice of seeking ex post facto approval of the supplementary grants, either a clearer direction by the court may be sought or the court may take notice on its own to give a clear direction.

A better solution, however, may be that parliament passes an act to regulate the budget process as envisaged in Article 79 of the Constitution which states: "…and all matters connected with or ancillary to the matters aforesaid shall be regulated by act of Majlis-i-Shoora (parliament) or, until provision in that behalf is so made, by rules made by the president".

Even 44 years after the passage of 1973 Constitution, the budget process continues to be regulated by rules made by the president. It is time parliament passed an act to regulate the budget process and made it mandatory to seek the approval of the National Assembly prior to altering the approved budget.

https://www.dawn.com/news/1340547

NEWS COVERAGE PERIOD FROM JUNE 12TH TO JUNE 18 TH 2017

GOVT INTRODUCES 25 NEW AMENDMENTS TO FINANCE BILL
Dawn, June 14th, 2017

ISLAMABAD: The government has introduced 25 new amendments to the Finance Bill 2017, most of them relating to income tax measures.

Of them, 12 amendments are related to income tax measures, 10 to sales tax and three to customs duty. These amendments were introduced following recommendations from senators and other stakeholders.

These amendments along with budgetary measures will come into effect from July 1.

The limit of agriculture loan for small farmers has been raised from Rs50,000 to Rs75,000 for one crop and the total volume of the loan could be Rs150,000 for two crops in a year. The minimum wage has been increased from Rs15,000 to Rs15,400.

Through the Finance Act of 2017, the government has reduced customs duty to 3pc from 20pc on parts of Peter agricultural diesel engine. This was in addition to the budgetary decision of complete sales tax exemption on agricultural diesel engines of between 3 and 36 horsepower.

The tax incentives package of information technology has been extended to IT-enabled companies as well. The government exempted the goods including plant machinery under various Islamic instruments like Murrabaha, Musawamah, Bai Muajjal, Bai Salam, Istisna, Tijarah and Istijrar from dual payment of sales tax.

The rate of tax has been further reduced to 1pc from 2pc for five export-oriented sectors — textile, leather, sport, surgical and carpet. The tamarind gum has also been declared zero-rated for the export-oriented sector.

To facilitate oil companies, the government has exempted the procedure to apply for exemption certificate for the import of oil. Withholding tax of 0.2pc and 0.5pc was exempted from distributors, dealers and wholesalers of batteries on recommendation of senators.

In the fertiliser sector, sales tax has been reduced to 10pc from 17pc on feed gas. On supply of LNG for feed gas, the sales tax rate has been reduced to 5pc from 17pc and supply of fertiliser has been exempted from further tax.

In the poultry sector, customs duty has been reduced from 20pc to 16pc and from 16pc to 11pc on all the materials used in the value-added sector. On the fish feed, the sales tax has been reduced to 10pc from 17pc.

For the manufacturers of direct-current (DC) fans, the customs duty has been exempted on import of permanent magnets; the tax rate on dividend income of up to Rs2.5m from mutual fund investments has been decreased from 12.5pc to 10pc, and the new rates of capital gains tax will not apply on securities purchased before July 1, 2016.

The tax on services of Pakistan Stock Exchange and Pakistan Mercantile Exchange has been reduced from 8pc to 2pc, for secondary market development, tax on listed derivatives has been reduced from 15pc to 5pc for a period of three years.

Tax on imports of raw plastic has been reduced to 4.5pc from 6 pc to avoid evasion while tax rate for industrial units has been reduced to 1.75 pc from 6pc.

https://www.dawn.com/news/1339305

OPPOSITION SEES RURAL, URBAN DISCRIMINATION IN BUDGET
Dawn, June 15th, 2017

Habib Khan Ghori

KARACHI: Leader of the Opposition in Sindh Assembly Khwaja Izharul Hasan has said if the chief minister is very keen to take the responsibility of Karachi mayor, he should better swap office with him as it seems there are two mayors and no chief minister in the province at the moment.

He expressed these views while participating in the general discussion on the Sindh budget 2017-18 on Wednesday.

Mr Hasan said the federal government had devolved powers to the provincial government and the province ought to give power to the mayor. “Now we have decided that the city mayor will no more seek power from the provincial government to manage affairs of the local government but snatch this right by moving the Supreme Court,” said the leader of the opposition.

Referring to the speech of the local government minister, he said that in the process of reconciliation with the PPP rule his party had suffered a lot, as all institutions were destroyed. From this day on, his party would not accept any offer for reconciliation with the PPP, he added.

Mr Hasan said it was for the first time that the MQM did not present a shadow budget in protest, as the party had expected that the government this year would consult the opposition in preparing next budget but as usual the opposition was ignored.

He said the opposition rejected this budget. It was just a copy of the previous budget, which had discriminated rural and urban populations. While Rs26 billion taxes were imposed, no relief was given to the people, he added.

Although it was claimed that tax would be imposed on the agriculture income, the budget did not reflect it, he pointed out.

Also, no fund was allocated for the religious minorities, he added.

He said the provincial ministers had not only criticised the federal government for not giving due share of the NFC award to Sindh but also threatened that gas supply would be cut off. However, he added, when public representatives elected from Karachi demanded due share of Karachi, the provincial authorities felt disturbed. “Yet we would continue to talk about excesses being committed against Karachi, Hyderabad and Mirpurkhas,” he said.

The MQM leader demanded that the minimum monthly wages be increased to Rs20,000 from Rs15,000, as nobody could manage expenditure of a small family with this income.

He asked as to why PPP lawmaker Ayaz Soomro had been given Rs8.5 million. If he was given this grant for hardship why the Sindh government had failed to contact MQM lawmaker Rashid Godil who had sustained five gunshot wounds in an attempt on his life. “Why was he not given any grant?” On this occasion, MQM lawmakers raised the slogan “Sindh main hoga kese guzara, Aadha tumhara, aadha hamara”.

He was also critical of the money spent on Tariq Road and University Road projects. He said the government was making money from the reconstruction of University Road from Hasan Square to NIPA and from NED University to Safoora Goth on which Rs770 million was spent. He asked as to how come work on the scheme, which was approved on May 16, had been started in December. Similarly the cost of Tariq Road scheme was shown as Rs57 million while according to Nespak assessment its cost could not be more than Rs160 million, he added.

The leader of the opposition was still on feet when Speaker Agha Siraj Durrani after consultation with leader of the House adjourned the house at 6.30pm for Thursday to meet at 10.30am, advising the leader of the opposition to complete his speech at the earliest so that Chief Minister Syed Murad Ali Shah could wind up the general discussion and cut motions on the supplementary budget could be taken up.

Besides Mr Hasan, 12 lawmakers had got the opportunity to participate in the discussion. They were Sarfaraz Shah, Ikramullah Dharejo, Sardar Muhammad Bux Mahar, Dr Sikander Mandhro, Syeda Shehla Raza, Syed Nasir Husain Shah, Jam Mehtab Khan Dahar, Nisar Ahmad Khuhro and Syed Qaim Ali Shah from the treasury side, and Aamir Moin Peerzada, Yousuf Shehwani and Faisal Sabzwari from the opposition benches.

https://www.dawn.com/news/1339549/opposition-sees-rural-urban-discrimination-in-budget

SINDH ASSEMBLY APPROVES ‘TAX-FREE’ BUDGET OF OVER RS1.043 TRILLION
Dawn, June 17th, 2017

Habib Khan Ghori

KARACHI: With the passage of Sindh Finance Bill, the provincial assembly on Friday passed a ‘tax-free’ budget of over Rs1.043 trillion for financial year 2017-18 with a deficit of Rs14.32 billion.

In the budget, priorities were given to rehabilitation of the existing infrastructure and development of basic facilities, besides education, health and law and order.

The total receipts include Rs627.3 billion federal transfers, Rs199.626 billion provincial receipts, Rs57.514 billion capital receipts; Rs70.067 billion others and Rs74.349 billion net public accounts and carried over plus miscellaneous came to Rs1,028.865 billion. The total expenditures have been estimated at Rs1,043.185 billion, including current expenditures of Rs666.474 billion, current capital expenditures of Rs32.643 billion and development expenditures of Rs344.067 billion. This shows a deficit of Rs14.32 billion.

Before adoption of the finance bill during general discussion, Leader of the House Chief Minister Syed Murad Ali Shah said that no new tax was imposed in the budget as certain taxes were rationalised in the province.

However, Leader of the Opposition Khwaja Izharul Hasan said that the opposition rejected the budget as it was against the interest of people.

MQM Parliamentary Party leader Syed Sardar Ahmad said that because of price hike, people could not bear any more burden of any new tax and suggested the need for reducing indirect taxes to provide substantive relief to the people. Keeping in view the increase in wheat price to Rs48 per kg, he suggested to the government to introduce ration system for the less privileged sections of society so that they could get wheat flour, rice and pulses.

MQM lawmaker Dilwar Qureshi said that the budget indicated 93 per cent indirect taxes and only seven per cent direct taxes indicating that the burden of taxes was on common man.

PML-F legislator Nusrat Abbasi said the budget allocations must be utilised properly and tax collection system be improved to bring all the influential people into the tax net.

In the finance bill, two amendments were suggested but as these were not submitted two days back, the chief minister said that he did not have time to get legal opinion regarding the amendment and assured the movers that if they let the bill passed in its original form, after legal opinion, the amendment could be introduced in the next session of the assembly.

After withdrawal of the amendments, the finance bill was taken up clause by clause and after the third reading it was passed into law. Speaker and chief minister greeted all members of the house for passage of the budget.

The chief minister said it was the only assembly, where 100 members took part in the budget discussion.

After the speeches, Speaker Siraj Durrani read out the governor’s order for termination of the session sine die with the completion of business.

In the budget, besides law and order and rehabilitation of existing infrastructure, priority was given to the promotion of education as students from the next financial year would be rewarded Rs100,000 for securing A-1 grade in Intermediate and Matriculation exams.

“Rs750 million has been allocated for the purpose. Besides, endowment fund for colleges and universities was created for which Rs1 billion has been kept for 2017-18 for providing financial assistance to students and Rs1 billion has been kept for free registration and board examinations at all levels of education for students of public sector institutions,” he said.

In the finance bill, slight amendments were introduced to Stamp Act, Registration Act and Sindh Sales Tax Act with the objective to improve tax net. Besides, there is a proposal to rationalise rate of Sindh Sales Tax on Telecom Services, and bring it on a par with other provinces, by increasing it from 19 percent to 19.5 percent.

Before adoption of the finance bill, the house discussed cut motions submitted by the opposition against demand for grants. A total of 732 cut motions were submitted against 119 demands of the total 153 demands for grants. After consideration of three demands one by one which all were rejected by a majority vote when put to the house.

https://www.dawn.com/news/1339976

NEWS COVERAGE PERIOD FROM JUNE 5TH TO JUNE 11 TH 2017
SINDH BUDGET 2017-18: CM MURAD'S FIRST BUDGET TO HAVE RS14BN DEFICIT
Dawn, June 6th, 2017

Habib Khan Ghori

KARACHI: Sindh Chief Minister Syed Murad Ali Shah on Monday unveiled a Rs1,043.185 billion deficit budget for the financial year 2017-18 in the Sindh Assembly amid protest by opposition lawmakers. The budget showed total receipts of Rs1,028.865bn and estimated expenditures of Rs1,043.185bn, indicating a deficit of Rs14.32bn.

In his two-hour-long speech, the chief minister highlighted the achievements of his government in the social sector and fiscal management.

He said his government had allocated the highest percentage of resources for education in 2017-18. It will see an increase of 24 per cent over allocation of current financial year. For the next financial year, "we propose to enhance the budget for education to Rs202.2bn from Rs163.12bn. Grants for universities and education institutions have been kept at Rs5bn," he said. He announced a 15pc increase in the basic salary of all employees.

In the health sector an allocation of Rs100.32bn was proposed as against Rs79.88bn of 2016-17. The development programme for the health sector is pitched at Rs15.50bn compared to Rs14bn for the current financial year. While for law and order budgetary allocation was proposed at Rs92.91bn, reflecting an increase of 10pc over allocation of Rs84.26bn during the current financial year.

The chief minister claimed that this was a tax-free budget with slight amendments in the Stamp Act, Registration Act and Sindh Sales Tax Act with the objective to widen the tax net. For the next financial year, there is a proposal to rationalise rate of Sindh Sales Tax on telecom services, and bring it on a par with other provinces, by increasing it from 19pc to 19.5pc. He said the telecom sector is already charging this amount from consumers. This will allow the government to generate an additional amount of Rs400 million.

The CM said that Sales Tax on travel agents and tour operators was being reduced from 10pc to 8pc. The budget proposed to reduce SST on services provided by specific class of indenters and call centers from 13pc to 3pc and from 8pc to 3pc on the services of renting immovable property services.

Mr Shah told the house that the Sindh Revenue Board would be able to collect Rs78bn during the current financial year. For the next financial year, the target is being enhanced to Rs100bn as per the Sindh Tax Resource Mobilisation Plan.

Mr Shah said at present Agriculture Income Tax collection stands at Rs393m. In consultation with leading agriculturists, farmers and parliamentarians, the target of this tax has been increased to Rs1bn for the next financial year.

He said the federal government is the major contributor to Sindh's finances comprising of 75pc in its entirety. He added that these shares inevitably fall short of the estimates we provide every year. He urged the federal government to ensure that Sindh is given its fair share of resources in a timely and efficient manner.

Giving details of the revised budget, 2016-17, he said that against an estimated budgetary amount of Rs854.5bn, the revised receipts of the province stand at Rs873.9bn. "We are facing a shortfall on account of federal transfers," he said.

The chief minister said that during 2016-17 the major achievements in the energy sector include setting up of 100 MW Sindh Nooriabad Power Company established through Public-Private Partnership. He said the plant is fully functional and contributing to mitigate power shortages of Karachi. Sindh Transmission & Dispatch Company has been established. This is the first ever transmission line established by any provincial government. 132KV Double Circuit from Nooriabad to Karachi has been successfully laid for Rs1.95bn to supply 100MW to K-Electric and 477MW of wind power has been added to the national grid. Total installed capacity of wind power projects now stands at 785MW. It will be enhanced to 1,085MW in the next financial year.

The chief minister said that Thar coal project at Block-II is on schedule and the Sindh Engro Coal Mining Company has removed 35pc overburden from the coalmine. The company is now working to expand the coalmine to 22 MTPA and generate 2,600MW by the year 2021.

ALTERNATIVE ENERGY: In the alternative energy sector, he said, some important projects, including 35 wind power plants for 2,685MW power generation, 24 solar power plants of 1,500MW under IPP mode and two 24MW run of the river power generation projects, have been approved.

Mr Shah said that the rehabilitation of Karachi Circular Railway has been included in the CPEC for $2.4bn. For 2016-17, Rs241m have been allocated for construction of boundary fencing along the existing alignment of the KCR.

He said in 2017-18 for Green Line BRTS Bus operation and fare collection 'integrated intelligent ticketing system' would be outsourced through PPP mode. Orange Line BRTS would be completed by September 2017.

The chief minister proposed to increase allocation for the agricultural sector from Rs 12.75bn to Rs 14.13bn. He said Rs 2.1bn have been provided as wheat subsidy and Rs5bn been allocated for the next financial year.

The chief minister's speech was punctuated with thumping of desks from the treasury benches when he referred to the government's achievements while opposition raised the slogans of "No corruption" when her talked about development schemes. The opposition parties including PML-F, PML-N and PTI also staged a protest by walking out from rest of the session.

https://www.dawn.com/news/1337733/sindh-budget-2017-18-cm-murads-first-budget-to-have-rs14bn-deficit

CM PROMISES TAX-FREE, PRO-POOR BUDGET

Dawn, June 6, 2017

PESHAWAR: Khyber Pakhtunkhwa Chief Minister Pervez Khattak has said his government is to unveil a tax-free and pro-poor budget forthenexthscalonJune7.
He said this while presiding over a high-level consultative meeting called at the Chief Minister`s House on Monday to discuss the provincial budgetary proposals and annual development programme for 2017-18, said a statement issued here.

The CM said the government would enhance the salary and fringe benefits of its employees and would work on the building of their capacity besides pursuing the agenda of empowering the poor people.

He referred to certain steps in the context of the China-Pakistan Economic Corridor project saying they will boost industrialisation in the province.

`We are working to improve the basic elements required for investment in the province.

A coordination committee consisting of home, police and planning and development depart-ments has already been constituted to coordinate for efficient security to the investors.

`These efforts will enhance the security level for the investors and speed up economic oriented activities andthus, creating more jobs for jobless in the province,` he said.

Mr Khattak said the forces of status quo were receiving the last blows in the battle with the forces of anti-status quo and that his government took the power from the powerful and gave it to the poor to make their own decisions.

The participants examined the proposed ADP for the next fiscal and approved the developmental sketch of the schemes.

They also approved 58 new and ongoing schemes for education sector, including the establishment of 10 new postgraduate colleges.

The CM approved transport facility and two public libraries for colleges in the province.

The missing facilities in the colleges were properly tal(en care of in the new schemes of thing, the meeting was told.

The meeting approved 30 schemes for agriculture sector development which included 17 ongoing and 13 new schemes.

The CM directed the of ficials to focus on agriculture sector development including conversion of tubewells to solarisation.

There will be 36 schemes for the forest depart-ment in the new ADP.

The meeting approved the third phase of the Billion Tree Tsunami Afforestation Programme and approved 12 schemes for the food department. It also gave nod to 53schemes for youths.

The officials told the meeting that the new budget would provide resources for completing work on the Arbab Niaz Cricket Stadium on fast track basis.

They however said resources for the creation of facilities in the Rustam Sports Complex Mardan would be gradually increased.

The officials said work on 158 sports grounds had been initiated and the construction of 85 grounds had already entered the final phase.

The CM said from the new fiscal year, his government would restart giving monthly stipend to poets and literary figures Rs30,000 per month. The meeting approved 59 schemes for home department and 19 schemes for Haj and religious affairs departments.

The officials said the project for solarisation of mosques was being shifted to the energy and power department, while the energy and power department would have 28 ongoing and 26 new schemes.

http://epaper.dawn.com/DetailImage.php?StoryImage=06_06_2017_007_004

SINDH BUDGET2017-18 : RS274BN EARMARKED FOR DEVELOPMENT
Dawn, June 6th, 2017

Shahid Iqbal

KARACHI: Sindh has allocated Rs274 billion for development for the next fiscal year, an amount which “is unprecedented and an all-time high”, Chief Minister Murad Ali Shah said during his budget speech on Monday.

By including Rs27.3bn of federal grants and Rs42.7bn of foreign project assistance, the total development budget comes out at Rs344bn. The revised estimate for the outgoing fiscal year is about Rs248.7bn.

The provincial government allocated the highest amount of Rs105.2bn for social protection compared to Rs47.88bn a year earlier. However, the revised estimate rose to Rs111.78bn for 2016-17.

Under the development budget, Rs82.68bn will be spent on economic affairs in the next fiscal year compared to revised budgetary estimates of about Rs61.7bn in FY17.

Under the head of economic affairs, Rs6.985bn will be spent on agriculture. The highest amount under the economic development will be spent on irrigation, i.e. Rs37.295bn. The budgetary estimate for FY17 for irrigation was Rs26bn but the revised estimate became almost double to Rs48.23bn. Moreover, Rs840 million will be spent on forestry.

The government will spend Rs19.55bn on mining and manufacturing; of this, Rs16.775bn has been allocated for 'other sector'. For mining for mineral resources, an amount of Rs2.745bn has been allocated.

An amount of Rs14.695bn has been allocated under the head of development spending for construction and transport. The budgetary document shows the estimated budgetary allocation for FY17 was Rs17.195bn but the revised estimate was as low as Rs1.509bn.

Besides, the government will spend Rs400m to protect environment against Rs288m in the outgoing year.

The government has decided to spend Rs15.4bn for the health sector in the next financial year compared to Rs15bn for FY17. However, the revised estimate for this health sector presents a poor picture as the revised estimate was just Rs10bn.

The province will spend Rs21.4bn for the development of education affairs and services compared to revised estimate of Rs12.4bn for FY17. This year's budgetary estimate was Rs17.866bn.

Under the head of social protection, the government will spend Rs73.5bn on administration side for social welfare measures. The revised amount for FY17 was Rs86bn. Another major allocation of Rs30bn was made for the district programme which was higher by Rs5bn compared to revised estimate of Rs25bn.

The ADP of health is pitched at Rs15.5bn compared to Rs14bn for the current financial year. The chief minister said the next financial year will witness an increase of 26 per cent in total allocation for the health sector.

In terms of resource allocation, the share of Home Department — including police, jails, Rangers and other law-enforcement agencies — is the second largest at Rs92.91bn, a year-on-year increase of 10pc.

The government has allocated the highest percentage of resources towards education in the year 2017-18. It will see an increase of 24pc over current year's allocation.

"For the next financial year we propose to enhance the budget for education to Rs202.2bn from Rs163.12bn. Grants for universities and education institutions have been kept at Rs5 billion," the chief minister said.

https://www.dawn.com/news/1337626/sindh-budget2017-18-rs274bn-earmarked-for-development

EDUCATION, HEALTH SECTORS GIVEN BOOST IN SINDH BUDGET
Dawn, June 6th, 2017

Hasan Mansoor

KARACHI: The largest chunk of Sindh's budget (27 per cent) has been allocated for the education sector for fiscal year 2017-18, documents show on Monday.

Next fiscal's allocation of Rs181.5 billion for education includes allocations for higher education, technical education, special education and medical education.

"This is an increase of 13pc over allocations of 160.7 billion of the current financial year," said a budget document.

However, as the documents admitted, the salary component of the education ministry has been increased by 15pc, while the non-salary component has been augmented by 9pc.

The ADP allocation for education has been increased to Rs21.1bn, including Rs3.6bn kept separately for the boards and universities, Rs1.06bn for Sindh Technical Education and Vocational Training Authority (Stevta), and Rs200 million for special education and Rs5bn for college education.

Besides the provincial ADP, Rs2.9bn has been allocated for foreign-funded projects of the education ministry, Rs3.6bn for the universities and boards, Rs1.06bn for Stevta, and Rs213m for special education.

For the next fiscal, the documents show, the provincial government has allocated Rs74.2bn (20pc increase), Rs5bn on medical (22pc increase), 10pc increase (Rs37.1bn) on administration and works, 9pc each increase on colleges (Rs13.4bn) and special education (Rs904m), respectively; a six per cent increase (Rs40.5bn) on secondary and higher secondary education, and as much increase (Rs5.3bn) on universities, and three per cent increase (Rs5.3bn) on technical education.

The key initiatives included Rs4.6bn for school-specific budget for furniture, stationery, travelling and other heads, Rs1.5bn for girl stipends, Rs1.5bn for the school management committees. Rs1bn has been kept for exemption of fees for registration, enrolment and annual examination, Rs1bn is proposed for the education management organisation, Rs7bn is proposed for repair and maintenance and rehabilitation of schools, and Rs8bn has been kept for the Sindh Education Foundation.

Under medical education, 15 new medical institutions are regularised — 14 midwifery institutions and Khairpur Medical University.

Rs750m is kept for students securing A1 grade in SSC and HSC in Sindh.

Besides, Rs600m is kept for the establishment of comprehensive schools in Sindh, and establishment of a cadet college for girls in Benazirabad district with an allocation of Rs644m.

Some 65pc of the education sector will be spent on salaries, 24pc would be used on the non-salary component and the remaining 11pc would be kept for development.

An allocation of Rs100.32bn has been proposed in the next budget against Rs79.88bn of 2016-17. The ADP of health is pitched at Rs15.50bn compared to an allocation of Rs14bn of the current fiscal.

Being the third largest sector in terms of resource allocation, the next fiscal would get an increase of 26pc in total allocation for the health sector.

The current revenue expenditure of the health ministry, excluding medical education, has been increased by 37pc from Rs61.7bn now to Rs84.8bn for the next fiscal.

The allocation for the medical sector has been kept at Rs7.9bn. Surgical instruments, oxygen, consumables, X-ray films, and dietary charges of patients have been increased to Rs2bn.

The allocation for repair and maintenance of machinery, equipment and ambulances are enhanced to Rs1.14bn.

The share for PPHI Sindh has been enhanced by 29pc — from Rs3.8bn to Rs4.98bn.

The budget of the National Institute of Cardiovascular Diseases (NICVD) has been enhanced from Rs1.8bn to Rs5.8bn, including Rs4bn for NICVD Karachi and Rs694.5m for Faryal Talpur Cardiac Surgery Complex Larkana and Rs694.5m for Benazir Bhutto Cardiac Hospital, Tando Mohammad Khan, and Rs380m for poor patients.

The grant-in-aid budget of the Indus Hospital Karachi has been enhanced from Rs500m to Rs1bn. The budget of Abdullah Shah Institute has been increased from Rs100m to Rs862.9m.

For reduction of stunting and malnutrition, Rs2.4bn has been kept for Accelerated Action Programme.

Some 25,000 new posts will be created at different levels of health management with Rs7.7bn, including Rs6.5bn for the lady health workers' programme. Rs690.1m has been kept for the EPI programme.

Regular or annual recurring grant-in-aid for the Sindh Institute of Urology and Transplantation has been increased from Rs4bn to Rs5bn, including Rs4.5bn for SIUT Karachi, Rs522.5m for the multi-organ transplant centre, SIUT Kathore, Karachi, and Rs70m for the establishment of children hospital at the SIUT, Karachi.

Next year's health ADP is pitched at Rs15.5bn, including Rs6.6bn for various hospitals, Rs2.8bn for teaching hospitals and Rs4bn for preventive programmes. Besides the provincial ADP, Rs3.3bn has been allocated for foreign-funded projects of the health ministry.

Rs1.8bn has been kept for the Sindh Immunisation Support Programme, Rs900m for Hepatitis Control Programme, Rs500m for the establishment of Ghulam Mohammad Maher Medical College, Sukkur, Rs359m for establishment of Benazir Institute of Urology and Transplantation at Benazirabad; Rs332.5m are kept for upgrading of taluka headquarters hospitals to the level of district headquarters hospitals; Rs209m has been allocated for expansion and improvement of DHQ hospitals in Khairpur, Badin and Shikarpur districts; Rs325.5m has been earmarked for the provision of equipment for the surgical complex at the Jinnah Postgraduate Medical Centre, and strengthening of the malaria control programme with an allocation of Rs203m.

The health sector's share is 8.5pc in the total outlay of which 39pc is for salary, 23pc for non-salary, 16pc for development and the rest for other heads.

https://www.dawn.com/news/1337629/education-health-sectors-given-boost-in-sindh-budge

PUNJAB BUDGET 2017-18: RS635BN SET ASIDE FOR DEVELOPMENT
Dawn, June 3rd, 2017

Amjad Mahmood

LAHORE: The Punjab government has allocated a record Rs635 billion for the Annual Development Programme (ADP) for 2017-18 under a strategy to optimise investment decisions. The allocation is 15.45 per cent higher than Rs550bn for the outgoing fiscal year.

The budget documents say recognising the scarcity of resources a shift is being made in the planning by developing an ADP portfolio containing only the approved schemes and side-stepping from block allocations against “concept schemes” and unallocated pools.

It argues that the step will ensure immediate implementation of development project with the budget cycle resulting in better utilisation and smaller throw-forwards.

Like in the previous ADP, priority has been given to develop the social sector, education, health, water supply and sanitation, with an allocation of Rs201bn, or 32pc of the ADP.

The second priority has been assigned to infrastructure development as it gets more than Rs172bn with major focus on roads construction (Rs90.7bn) and irrigation (Rs41 bn). Each sub-sector contains Rs16bn foreign-aid component.

Major initiatives in the irrigation sector include construction of intake and allied structures on Ravi River to augment water supply to Lahore, construction of Kas Umar Khan canal system, Papin and Dadoacha dams, and phase-II of the Greater Thal Canal project.

A sum of Rs103bn has been earmarked for service delivery. Of this, the transport sector claims the lion’s share of Rs97bn, including Rs93.5bn foreign-aid component.

The production sector, which includes agriculture, cooperatives, forestry, wildlife, fisheries, food, livestock, industries, etc, has been earmarked Rs51.69bn. Of this, agriculture lays claim on Rs21bn and industries Rs15bn.

A huge chunk of Rs88bn has been apportioned for special initiatives.

The highlights of the ADP included earmarking of Rs15bn for Kissan Package and a similar amount for the prime minister’s Sustainable Development Goals programme.

A sum of Rs3bn has been set aside for a special loan plan under a credit scheme for small and medium enterprises.

Under the regional development programme for less-developed districts, an allocation of Rs5bn has been made.

To develop the districts falling along the western route of China-Pakistan Economic Corridor in the province, an allocation of Rs1bn has been made.

Besides, Rs50bn has been allocated to modernise the police and its capabilities under the Punjab Safe City Project.

At least Rs15bn has been earmarked for constructing classrooms and providing missing facilities in public schools, whereas 500 new schools will be opened under the Punjab Education Foundation.

Allocations have also been made for Ujala Programme to provide off-grid solar power to 10,000 schools, setting up the Punjab Agriculture, Food and Drug Authority and the Women Protection Authority.

A sum of Rs25bn has been made for the 'Saaf Pani' project to ensure clean water for un-served and underserved rural areas. Moreover, Rs15bn has been set aside for comprehensive rural sanitation and solid waste management programme.

An amount of Rs53.5bn has been allocated for good governance initiatives and information technology while Rs45bn will go to Local Development Programme for the provision of basic amenities in backward and leftover areas of the province.

To attract foreign investment in the textile sector, the government plans to establish an apparel park near Lahore. The province will also start work on the 135-megawatt Taunsa Hydel Power project, a biomass power project at Faisalabad, and an energy resource centre in Lahore.

Foreign-funded projects

In collaboration with world development partners, the government is launching Strengthening Markets for Agriculture and Rural Transformation (SMART) to remove market distortions, develop skills of youth, provide easy access to IT and finance.

To preserve religious sites of Sikh, Buddhist and Hindu communities and to promote religious tourism, Punjab Cultural Heritage and Economic Growth Project will be initiated with a $50 million World Bank fund.

The public-private partnership will be encouraged with a $100m plan and skills of youth will be developed with a $50m credit facility from the International Development Association.

Likewise, the quality of life in five towns — Sialkot, Sahiwal, Bahawalpur, Rahim Yar Khan and Sargodha — will be improved through the Intermediate Cities Improvement plan, while the World Bank will provide $300m for the three-year Education Support Project-III.

The World Bank will also provide $130m for high-efficiency irrigation technologies and fostering agricultural value chains.

https://www.dawn.com/news/1337008

KP BUDGET 2017-18: KP BUDGET FOCUSES ON RAPID TRANSPORT, EDUCATION
Dawn, June 8th, 2017

Manzoor Ali

PESHAWAR: The Khyber Pakhtunkhwa government on Wednesday presented its Rs603 billion election-year budget, promising a Rapid Bus Transit corridor for the provincial capital at a cost of Rs53bn. Finance Minister Muzafar Said presented the budget in the provincial assembly, which he termed ‘tax-free and balanced’.

The Rs603bn budget is 19.41 per cent higher than Rs505bn for the current year, which in the revised estimates has been fixed at Rs516bn, indicating 2.3pc increase over budgetary estimates.

The budget documents project the federal transfers to be close to Rs425.63bn, while the province’s own tax and non-tax revenue has been pitched at Rs45.12bn.

The province is set to receive Rs326bn from the federal divisible pool, Rs39.17bn in lieu of 1pc of federal tax assignment for the war on terror, Rs24bn straight transfers and over Rs35bn net hydel profit proceeds and its arrears.

In addition to this, the province would borrow Rs25bn, including Rs15bn from the proceeds of its Hydel Development Fund and domestic borrowing of Rs10bn.

In the revised estimates for the current year, the finance department also claimed ‘expected less expenditure’ of Rs40.30bn due to its austerity measures.

The provincial government has projected its current revenue expenditures at Rs395bn, 15pc higher than the current fiscal year.

In the current revenue expenditure, the province would spend Rs49.86bn on law and order, Rs26.89bn on health, Rs27.55bn on education, Rs6.7bn on housing and community amenities and Rs6bn on social protection.

The finance minister said the government has increased higher education budget by 31pc, health 20pc and elementary and secondary education by 17pc.

On the current side, the budget documents note an alarming increase in salary and pension liabilities of the province.

“Estimated budget for pay and pension makes up for about 70pc of the total current revenue expenditure for 2017-18,” the documents read. It shows that the provincial government workforce recorded an increase of 104,555 personnel during past four years of the PTI rule, while the number of pensioners stands at 160,000. The salary budget has been pitched at Rs218bn from Rs179bn in the current year, a staggering increase of Rs33bn.

The provincial tax machinery again failed to achieve its tax target of Rs32.46bn for the current year, revised downward from original Rs49.50bn. The documents show actual collection of Rs20.91bn over a period of 10 months till April.

Tax target for the 2017-18 fiscal has been pitched at Rs45.21bn.

The development outlay has been projected at Rs208bn. The development portfolio would consist of 1,632 projects, of which 1,182 are ongoing and 450 are new.

It is also 29pc higher than the current ADP, which stood at Rs161bn and its provincial component, was revised upwards to Rs145bn from Rs125bn, while the foreign component slashed to Rs22bn from Rs36bn.

Core development component has been allocated at Rs98bn, while Rs28bn has been allocated to three tiers of district governments across the province.

The province's foreign aid outlay has been pitched at Rs82bn, including Rs29.4bn grants from international donors and Rs52.2bn loan from the Asian Development Bank to finance Peshawar BRT project.

Development programme also shown inclusion of a CPEC or Chinese investment portfolio having cost of Rs2,452.5bn; however, in the ADP a token allocation of Rs1 million has been made for it.

Mr Said announced that the government was merging 10pc Ad hoc Relief Allowance of 2010 in government employees' basic pay and would give 10pc allowance on the merged amount.

He said pay and pension raises and other perks and privileges would cost the provincial kitty Rs16bn per annum.

The minister announced 10pc increase in pension, besides swelling minimum labour wage to Rs15,000 from Rs14,000 per month.

Mr Said also presented before the house supplementary budget of Rs47.25bn, including Rs19.28bn current expenditures and Rs27.9bn development expenditures.

Through an amendment in the KP Finance Bill, 2013, ride hailing services have also been included in taxable services.

The Finance Bill 2017-18 also increased taxes on urban immovable properties throughout the province and increased taxes on petrol pumps and CNG stations with convenience stores to Rs22,500 from Rs15,000 and on those without stores to Rs11,500 from Rs7500 per annum.

It also increased tax on service stations to Rs20,000 from Rs15,000, besides enhancing professional tax rates on various professionals and businesses.

https://www.dawn.com/news/1338192/kp-budget-2017-18-kp-budget-focuses-on-rapid-transport-education

MAYOR SLAMS SINDH GOVT FOR 'REJECTING' KARACHI'S 143 SCHEMES IN NEW BUDGET
Dawn, June 8th, 2017

Hasan Mansoor

KARACHI: Terming it a “sheer insult” to the elected City Council, Karachi Mayor Wasim Akhtar criticised the Sindh government for refusing to incorporate even one of the 143 development schemes proposed by the Karachi Metropolitan Corporation in the provincial annual development programme 2017-18.

“The KMC had sent 143 schemes worth Rs25 billion for provincial ADP for Rs9bn allocation, but not a single penny has been allocated to the KMC, which is a sheer insult to local council representatives,” Mayor Akhtar told a press conference at the KMC building. “Almost all the schemes we had prepared involved active consultation of the chairmen of the six district municipal corporations, union committees and other municipal bodies of Karachi.”

He claimed Karachi had been badly neglected in the present Sindh budget despite contributing 70 per cent of the whole accounts.

He said the development schemes recommended by the local councils’ representatives were not included in the budget, requesting Sindh Chief Minister Syed Murad Ali Shah to review the budget and make sure schemes submitted by the local councils in Karachi are implemented.

Mr Akhtar said most of the Sindh budget was allocated to such places where there was no check and balance. “The present rulers have presented their 10th budget and still we see bad governance prevailing all around.”

The mayor said the Sindh government, which advised the local councils to make themselves sustainable through their own resources, had badly failed to increase its own sources of income as could be seen from their balance sheet.

“Out of total outlay of Rs1,044bn they promise to collect Rs185bn which comes to just 17 per cent while they get 83pc funds from Islamabad.”

Referring to what he called injustice to Karachi, he said the provincial government collected around Rs95bn from Karachi. “For motor vehicle tax they have set target for Rs7.5bn for 2017-18, out of which over 70pc [Rs5.2bn] revenue is generated from Karachi.”

He said the actual property tax receipts of year 2015-16 showed only Rs3.2bn, which was increased in budget estimates for 2017-18 to Rs6.3bn. “This is a local tax which should be devolved to the KMC but it is still with the Sindh government. Plus, the total urban-based receipts from Karachi should be around 50pc of the total receipts, meaning the provincial authorities collect Rs3.15bn from Karachi.”

He claimed that infrastructure cess, which was pitched as Rs46bn was entirely collected from Karachi. The cess (the cost of using the city’s infrastructure) was collected by the province. Against these urban-based receipts, the agriculture tax revised estimates show Rs650 million and new target for 2017-18 was shown as Rs1bn, showing no comparison to urban taxes, he added.

He said 122 schemes, out of 440, were for Karachi while population of Karachi is around 40pc, thus, they should have been 200 in number.

Mr Akhtar said the KMC's share of development portfolio was merely Rs1bn only. "All schemes are being implemented through bureaucratic arrangements which are non-functional due to Supreme Court orders."

He said Karachi's mega projects got Rs12bn through a project director. These projects included those of the Karachi Water and Sewerage Board and the Karachi Development Authority which were not run by the elected councils.

Mr Akhtar regretted that not a single scheme in the mega projects had been kept for Karachi's district Central, which is the largest among the city's six districts.

"In this scenario, it is quite evident that the Sindh government is not interested in the development of Karachi to improve its worn-out infrastructure. It requires at least Rs100bn a year for next 10 years running to develop Karachi on merit.

"I can pray and request the Sindh government to think about Karachi; the city is already wounded and looking for mercy, or else things could go out of control."

Deputy Mayor Arshad Vohra, municipal commissioner, leader of the house, and parliamentary leaders of the Pakistan Tehreek-i-Insaf, Jamiat Ulema-i-Islam and Pakistan Muslim League-Nawaz also attended the press conference.

Meanwhile, Chief Minister Syed Murad Ali Shah advised the mayor to read the budget documents meticulously.

Speaking to the media while visiting the Jinnah Postgraduate Medical Centre, Mr Shah said the mayor of Karachi had not read the budget book. "In Karachi, over 317 schemes are going to be completed in the next financial year because they have been fully funded."

https://www.dawn.com/news/1338128/mayor-slams-sindh-govt-for-rejecting-karachis-143-schemes-in-new-budget

34.5% FOR ADP IN RS603 BILLION K-P BUDGET
Sohail Khattak

The Express Tribune, June 8, 2017

PESHAWAR: The Khyber-Pakhtunkhwa government on Wednesday presented its last budget with a total outlay of Rs603 billion, including Rs208 billion for the Annual Development Programme (ADP) for the fiscal year 2017-18.

K-P Finance Minister Muzaffar Said announced the budget amid protest from opposition lawmakers who were chanting 'Go, Imran Go'.

The outlay is 19% higher than the Rs505 billion in the outgoing fiscal year. However, it includes a massive Rs52.7 billion worth of foreign loans and Rs10 billion domestic loans as well as Rs45 billion cash escalation expected from the federal government in terms of share in tax collection and net profit on hydel power generation.

The K-P government expects Rs425 billion from the federal government which is around 11.8% higher than the Rs380 billion in outgoing year. But the provincial government cannot benefit from this increase because of the rapidly increasing amount it needs to spare for employees salaries and pensions. The salaries and pensions will put an extra burden of Rs41 billion on government kitty.

In 2008-09, expenditure on pensions were just Rs5.7 billion while in 2017-18, it has reached a whopping Rs53 billion. Similarly, expenditures in terms of salaries and allowances will touch a massive Rs218 billion.

The provincial government has set the tax and non-tax collection at Rs45.2 billion for 2017-18 which only amounts to 7.4% of the total outlay.

Last year, the government had set a revenue target of Rs49.5 billion and collected just Rs20.9 billion in the first 10 months of the fiscal year.

The government expects to raise Rs22.3 billion from tax revenue and Rs22.9 from non-tax revenue.

The non-tax revenue includes Rs8.2 billion from commercialisation of government properties – a pipe dream which could not be materialised in the outgoing year. But this year again, the government forced the finance managers to include the project in the budget.

Last year, the K-P government had Rs11.8 billion in its kitty, but this year, it has Rs24.8 billion in hand which shows good cash management on the part of the K-P finance department.

The minister proudly stated that the ADP 2017-18 had been increased to Rs208 billion – or by 29% – when compared with Rs161 billion in the outgoing fiscal year.

The ADP contains Rs82 billion in foreign project assistance — including Rs52.7 billion in loans from the Asian Development Bank (ADB) for the Peshawar Mass Transit – while the remaining Rs29.4 billion will be foreign grants. As much as Rs126 billion will be also spent from the province’s own resources.

Last year, the provincial component of the ADP was Rs125 billion.

The K-P government appeared to have violated its own local government law while distributing development funds.

Under the K-P Local Government Act of 2013, the K-P government should have allocated not less than 30% of the total ADP to the ADP of districts. But in effect, only Rs28 billion has been earmarked for the district ADPs amounting to just 22.2% of the provincial ADP.

The ADP contains 1,632 development schemes, including 1,182 ongoing projects for which Rs78.8 billion has been earmarked and 450 new schemes for which Rs47.1 billion has been set aside. New schemes also include 84 projects related to the China Pakistan Economic Corridor (CPEC).

“We have placed more money for ongoing schemes so that projects can be completed quickly,” said the finance minister.

The throw-forward liability of the ADP has reached Rs567 billion, meaning that the next government would need 4.5 years to clear the backlog of ongoing schemes without starting new schemes. Last year, the throw-forward liability was Rs488.5.

Along with Rs52.7 billion in ADB loan, the K-P government also plans to borrow Rs10 billion from domestic banks as well as Rs15 billion from the Hydel Development Fund (HDF).

The government had put Rs12 billion domestic loan provisions in budget 2016-17, but it did not borrow the money.

"This year we will still not go for domestic loans. But we are keeping it in the budget to be able to cope with any emergency arising after any natural catastrophe," said an official of the finance department.

Following in the footsteps of the federal government, pensions of the government employees was increased by 10%.

The PTI again prioritised the education and health sectors in terms of allocations.

It set aside Rs136.1 billion for elementary and secondary education, Rs11.9 billion for higher education, Rs65.6 billion for health, Rs39.7 billion for law and order, Rs7 billion for debt servicing, Rs2.9 billion for wheat subsidy, Rs9.6 billion for agriculture sector, Rs6.6 billion for communications and works, Rs4.4 billion for public health engineering and Rs7.1 billion for relief and rehabilitation.

The finance minister also presented Rs47.5 billion revised budget for the outgoing year 2016-17 including Rs27.9 billion for development expenditures and Rs19.2 for current expenditures.

Although the minister claimed not including any new taxes in the budget, but the finance bill shows imposition of professional tax on all those earning more than Rs10,000 a month.

Every professional or trader earning Rs10,000 to 20,000 a month would pay Rs330 tax per annum. The professional tax will be Rs 435 per annum for those earning between Rs20,000 and 50,000 a month; Rs600 for those drawing Rs50,000 and 100,000 per month; Rs800 for those earning between Rs100,000 and 200,000 per month; and Rs1,000 for those earning between Rs200,000 and Rs500,000 a month.

The government also imposed tax on federal and provincial government employees from BPS-5 and above. It also increased the motor vehicle tax and property tax on different categories of localities in the province.

https://tribune.com.pk/story/1430115/34-5-adp-rs603-billion-k-p-budget/

GENERAL DISCUSSION ON SINDH BUDGET BEGINS IN ASSEMBLY
Habib Khan Ghori

KARACHI: The Sindh Assembly on Thursday initiated a general discussion on the provincial budget of Rs1.04 trillion for financial year 2017-18.

The house reassembled at 11.45am after a two-day break with Speaker Agha Siraj Durrani in the chair. On the first day, 15 lawmakers could participate in the discussion. Seven of them were from the ruling Pakistan Peoples Party, six from the opposition Muttahida Qaumi Movement, besides Shaharyar Khan Mahar and Saeed Ahmed Nizamani of the Pakistan Muslim League-Functional. Mr Mahar took the lead to begin the discussion.

Almost every speaker across the house criticised power loadshedding. They deplored that despite assurances given by electric utility services to the federal and provincial governments that there would be no loadshedding at the time of Sehri and Iftar, the people not only suffered 16 to 20 hours of power outages, but had to face an acute water shortage owing to the power supply disruption to water pumping stations.

The other issues of the budget highlighted by the legislators from the treasury side were achievements of the government and the increased allocations, particularly to education, health, law and order and development of infrastructure. The opposition pointed to the discrimination by the government in the sanction of millions of rupees development funds to the schemes of lawmakers belonging to the ruling party while neglecting the opposition's constituencies in implementing development schemes.

From the treasury side almost all speakers congratulated the chief minister for presenting a 'people-friendly budget' which, they said, reflected the aspirations and expectations of the people.

From the opposition side, MQM parliamentary party leader Syed Sardar Ahmad's speech covered almost all shortcomings of the budget. He demanded that at least a Rs30 billion special package be announced for Karachi.

Recalling that last year a Rs10bn package was given to Karachi, but hardly Rs2bn was used during the year for want of initiative and decision making.

He also called for empowering the local government institutions, saying that across the world local government had great importance and metropolitan governments had more powers to manage the affairs and discharge their responsibilities.

He highlighted the need for a drastic change in budget to make it from an accounting to a performing budget.

He pointed out that at the time of making the budget no consultation was made with the opposition.

Syed Sardar Ahmad said that Lahore was one district while Karachi had been divided into six districts. As such it was more important to make local government institutions effective.
He also called for winding up the food department. He said on one side the government complained of a shortage of funds while on the other every year Rs150bn to Rs200bn was being invested from provident funds but where were its returns being deposited was unknown. He also highlighted the need to generate "our own resources as at present our resources are the federal government, which contributes 80 per cent, and our own share in the revenue is only 20pc". And in the last months when the federation failed to give its share, the development projects suffered for want of funds.

Mr Ahmad also referred to the urban and rural divide, which the government failed to cover in the budget by denying the due share to the three urban districts — Karachi, Hyderabad and Sukkur.

The lawmaker also reiterated his stand on agriculture income tax by pointing out that at present the government estimated income from agriculture every year between Rs500 and Rs650 million but could not actually cross Rs300m to Rs350m.

He suggested that if only four crops — wheat, cotton, rice and sugarcane — were assessed on the basis of their production and their sale price and 50 per cent of total production was exempted from tax and the remaining 50pc was charged with 2.5pc withholding tax, the government could generate from Rs750bn to Rs800bn.

He also said that when irrigation and land tax was enforced in 2002, at that time the wheat flour price was Rs31 a kilogram and now it was Rs48 a kilo. Similarly, the prices of rice, cotton and sugarcane had also increased by three to five per cent, as such the government recovery from the four crops should be between Rs7bn and Rs8bn.

Shaharyar Khan Mahar in his speech said: "We have never criticised the government for the sake of opposition but for reforms in the government." Pointing out that the chief minister had claimed in the budget speech that the PPP government was practising a policy of political understanding in Sindh but its attitude was exposed to everyone as the government had given millions of rupees to members of the ruling party for carrying out development work in their constituencies but ignored the constituencies of the opposition as if they lived in "enemy territory".
He said what type of political understanding it was that "people belonging to us" were implicated in false cases. He said if the claims made by the chief minister that development works were carried out without any discrimination in the province were true, he should point out the opposition constituencies where uplift schemes were executed.
He said loadshedding in Sindh was not a new phenomenon as it had persisted here for the last many years. The PPP for the last three years played into the hands of the prime minister but now when elections were coming close, it had started staging protest sit-ins over loadshedding against the federal government in an effort to fool the people.

Dr Sohrab Sarki greeting the chief minister for presenting a good budget, said that during the last nine years Sindh had made progress in every department and had served the people and better health and educational facilities were available.

Other speakers from the MQM were Sabir Husain Qaimkhani, Jamal Ahmad, Rashid Khilji and Deewan Chand Chawla. From the PML-F, Saeed Khan Nizamani and from the treasury Peer Mujeebul Haque, Shamim Mumtaz, Dr Sattar Rajpar, Dr Mahesh Kumar Mullani and Sajid Jokhio spoke.

At 3.45pm the chair called it a day to reassemble on Friday at 11am.
https://www.dawn.com/news/1338312

FISCAL POLICY AND ECONOMIC GROWTH
Syed Shabbar Zaidi

Fiscal policy is an important tool of modern governments to steer economy in right direction. All governments, specially in emerging markets, endeavour to align their fiscal policies in the manner that (i) there are sufficient revenues available for fixed non-developmental expenses and ever expanding development expenses and (ii) that there is enough 'disposable' personal income with individuals and corporates generating enough savings/funds for investment by the private sector. These are essentially two conflicting objectives. Striking a balance is a difficult challenge. Maintaining that balance is the beauty of policy governance. Both objectives are independent in character; nevertheless there are intricate underlying inter-dependencies. This is the subject of political economy and the subject matter of discussion of this paper. In the following paragraphs this subject will be discussed with a particular reference to Pakistan's economy.

We are living in a world that is dominated by economic philosophies developed in the post-Second World War scenario. In essence, economic policy is the subject of the West. Our role is executor or implementer only. Notwithstanding all the rhetoric for independence and non-aligned approach, we all have to agree that, now in 2017, there is only one universal guideline for developing fiscal policy essentially designed to favour economies in the west. China, however, is the sole exception.

A summary of this universal policy, in the 'pre'-Trump Era, is (a) smaller governments, (b) a universal tax rate of around 25-30 percent on corporate income and personal income, (c) lower tariff to promote global trade, a disguised protection for 'tax havens' essentially for shifting 'wealth' from east to west. These policies have resulted in increasing 'income disparities' between states and people within the state, even in developed countries.

This universal fiscal policy coupled with 'free trade' regime around the world with minimum tariff restrictions has resulted in accumulation of huge reserves with Multinational Corporations (MNCs) whereas almost all the governments including the USA's are running in huge deficits and accumulation of insurmountable debts. Herein also China is an exception.

Less than one percent of the global population holds more than 80 percent of the wealth of the world. This raises the fundamental question, whether or not fiscal policies in post-Second World War era have failed to deliver. Pakistan is a diligent follower of these universal dictations, at least for the last two to three decades.

A discussion in the following paragraphs reveals that universal generic propositions in fiscal policies with reference to its relationship with growth do not interact scientifically and mathematically in our country. There are many reasons for the same, however, negative attributes arise due to the prevalence of a high proportion for undocumented/unorganized sector of economy. '

The Economist' of London in a very recent article has compared the traffic flow at the Lahore-Islamabad Motorways with the GT Road. The conclusion from overall economic viewpoint is that it is service for upper middle class only. This raises many questions for economic policy environment in Pakistan.

As a result of the constant failure of these generic fiscal policies, there is a view that increase in 'tax revenue' is essentially a disincentive for economic growth. There is a belief that the sum available with the government which should have been used for infrastructure and human development, is essentially 'wasted', therefore if the same is available to the private sector, the same will contribute better for economic growth.

There are reasons and bases for the validity of this view, however, this short term limited approach is not desired for the developing countries like Pakistan. It is highly unfortunate that reasonably well informed circles promote this idea for various reasons. In the following paragraph it will be endeavored that these perceptions are diluted to a possible extent.

In Pakistan, we collect around Rs 3,500 billion rupees under various heads of taxes. Out of the same, at least Rs 1000 billion are theoretically available for 'development' expenses in the hands of 'ineffective governments'. It is generally believed, and rightly so, that this sum which amounts to around 5 percent of the reported GDP of the country does not contribute 'equally' in real terms if the same is left with the persons who by force are required to pay for the same.

The resultant alternative proposition is that if the same Rs 1000 billion is left with the organized sector that effectively pays such taxes, then whether or not that sector will contribute more to the economic growth by reinvesting the same. In other words government jobs is done by the private sector.

There is general acceptability of the view that growth momentum will improve as the present structure for the use of this Rs 1000 billion development expense leads to corruption, nepotism and wastage. We may agree with this 'financial' conclusion, on the first count, however, a detailed analysis as made in the following paragraphs leads to a different conclusion.

That conclusion is based on socio-political dynamics being the ultimate objective of any state rather than financial management. Economics is not financial management. The right term is 'political economy'. Social equity is not similar of generic 'socialism' as well being of society cannot be left to desires of a few individuals.

In order to understand the subject we would have to go back to the basic feature identified in the first paragraph. This takes us back to basic philosophy of taxing the right people for generating enough funds for development expense for the benefits of society as a whole. This is what is described as 'tax is the cost of civilization'.

The relationship and the need for developmental expenditure and fiscal policies measures to boost the same have attained a different direction for the two sets of societies being the 'developed world'('developed in this sense does not necessarily mean rich) and emerging countries like Pakistan.

In one society, like Pakistan, there is a dire and irresistible need for substantial developmental expenditure, both on soft and hard sides. Whereas, for example, in economies like Greece and Spain, existing infrastructure, such as roads, hospitals and schools are sufficient to serve society for a very long time.

Unfortunately in traditional economic theories, which we follow very diligently, these two diagonally opposite situations, are handled through a common generic theory. The mantra of 'lesser role of government' which essentially means 'tax cuts', is a measure for a society that has achieved a particular level of development, not for all.

However, on the other hand, any higher tax recovery in a particular society should not make the market non-competitive in this new world. This is the problem which Trump will face against China as effective tax rate in China is substantially lower than USA. The sentences, as referred above, do not mean increase in tax rates. It represent equal tax for all segments of society at the same rate.

The aforesaid subject can be further explained by another example. In Greece, even in rural areas there are sufficient roads and schools which are necessary to provide minimum social support to rural people.

Their problem is aging population with limited earning capability and availability of exportable surplus, be it product or people. As against that, in our society, there is a dire shortage and need for affordable public sector schools, clean drinking water, transport etc. If such inputs are available the ‘raw material’ – young human resource – will be able to generate enough disposable surplus income.

Unless, such expenses are incurred there cannot be sustainable development in society and the youth living in such societies may resort to unproductive and destructive activities. For spending, we need tax revenues. So our objectives and situation is different.

In summary, role of fiscal policy to provide sufficient funds for ‘development’ has varied dimensions depending on the economic status of that particular society. There is no generic policy. In other words, the needs of a youngster are different from a person passing through old age. The ‘house’ is to be accordingly designed. No readymade model is available.

In the last five or six decades, in post colonization era, economic and political governance of the countries that attained independence after the Second World War could not, except with some exceptions like Singapore, meet the expectations of the people who gained a ‘perceptional’ independence after 1945.

There are many reasons for the same. However, it cannot be ignored that, in practical sense, it was a political independence only. ‘Economic tentacles’ were never severed. The GATTS, followed by the WTO consolidated such tentacles.

Nevertheless we should have no hesitation in admitting that, for a very long time, there was very little realization for ‘good governance’ based on independent economic policies. We were fighting ideological wars for others.

Whether or not there is any such realization ‘now’ is a subject of judgement. Nevertheless, Narendra Modi in India and Nawaz Sharif in Pakistan are signals for the desire of economic revival with a new model. In Pakistan, in the field of fiscal policies the results are not impressive.

Two examples, identified in this paragraph may be helpful in appreciating the subject that ‘regulatory regime’ without adequate corrections are essentially meaningless. In Pakistan, in the post-1990s we had an almost free foreign exchange regime, whereas in India there were serious prohibitive restrictions.

Nevertheless, in both the cases it has now been revealed that citizens of both the countries have accumulated huge offshore assets notwithstanding two totally different regimes in force. This shows that both the rules of governance have not been able to achieve the desired results. The conclusion that can be drawn here is that lack of ‘good governance’ does not mean reducing the size of governments and the developmental expenses in the societies like us.

This is a suicidal approach. This one basic principle can never be ignored anywhere be it society in the US or Botswana. The uncompromising principle is that the provision of basic education, health, transport and security is the responsibility of the state and will always remain so.
States are there only to provide the same. If such facilities are outsourced, in any sense, then we will go back to the tribal system. Now the 'Chief' will not be the person, who is physically strong. But he will be a person who has gathered more wealth without any contribution to other fellow beings. This re-emergence of tribal society is not acceptable to humanity and we cannot destroy the results of our over thousand years' journey of civilized society that brought us to this point of civilization.

Fiscal policies for developing countries in this perspective require:

(i) Availability of adequate resources for the governments for developmental expenditure on education, health, infrastructure and security;

(ii) Competitive rate of taxation for corporates and non-corporate sectors to stop outflow of investment to other countries;

(iii) Reasonable proportion of collection through direct taxation measures in order to provide equity in allocation of wealth;

(iv) Equity in incidence between citizens; and

(v) Economic policies to override all other considerations.

'Fiscal Policy', for reasons identified below, has attained a totally different dimension in Pakistan. This essentially means that fiscal policy of the government has become 'meaningless' so far as growth strategy is concerned. It appears that very senior and serious people, consider taxation as the measure to collect revenue 'only' ignoring the fundamental and cardinal principle of (i) equity, (ii) equitable distribution of wealth and (iii) effective mobilization of saving for growth. In quantitative terms the GDP of USD 300 billion is unreported by at least USD 100 billion and effective GDP for tax purposes does not exceed USD 150 billion. This can be illustrated as:

a) Real GDP US$ 400
b) Reported GDP US$ 300
c) Taxed GDP US$ 150
d) Tax to GDP on (c) US$ 30

This means that we collect USD 30 billion from those who earn USD 150 billion. This is very high effective rate of around 20 percent. This rate should be halved. This means that people fulfilling their tax obligations are burdened to the extent that there businesses have become unviable.

Furthermore, this double incidence has eroded the disposable income of the masses as a large portion is collected through indirect taxes. This requires bringing USD 250 billion (400 – 150 = 250) in the system with substantial cut in the rates for indirect taxes to increase disposable income for the lower income segment of the society. The arithmetic referred above is totally verifiable.

However, it would remain an arithmetic by an accountant if our economists and policy makers do not realize the importance of having a fiscal policy that is ‘relevant’. States run on a system. Fiscal and monetary policies are tools to steer the state towards common benefits. If such tools become ‘irrelevant’ like ours, then it is the first sign of failure of a state and way towards chaos.

In Pakistan, fiscal policy is essentially a revenue collection measure only. There is a general political rhetoric that tax to GDP ratio should be at least 12.5 percent. Unfortunately even the serious and senior people in this field measure the same in terms of ‘money’ say Rs 3,500 billion etc. etc.

Who bears the incidence of that tax liability and what the effects of such disproportionate and inequitable collection is not the subject of the society. This reflects complete departure from the basic principle of political economy and public finance. This has eroded the trust of the people on state machinery and the necessary confidence to the effect whether or not our decision makers have the capacity and the will to steer the country away from this fiscal mess.

Empirical evidences reveal that no concrete effort has been undertaken on this important subject in the last 20 to 30 years. In fact we are working in reverse order.

A critical analysis of this situation reveal that there is sense in this madness. Pakistan, with a population of over 200 million people, where agriculture is now not able to sustain over 30 percent of labour force, requires an ‘industrial oriented economy’. Nevertheless, if we examine the economic policies of this country for the last 70 years, including Ayub Khan’s industrialization, the policy focus has never been in providing reasonable empowerment employment to workforce in Pakistan.

In short, the policies were essentially ‘trade-oriented’. Fiscal policy is the foremost tool used to provide ‘protection’ to people engaged in such activities. In the post-1990 period, the pendulum totally tilted towards a ‘Trade-Oriented Policy’. It can be asked why and how such a categorical remark can be made. The answer is simple and short. In the 1990s we introduced ‘Presumptive Basis of Taxation’ for almost all the activities related to trade such as imports, exports, etc. Now all trading activities are virtually exempt from direct taxation.

A sum collected at import or export stage ranging from 1 to 6 percent of the value of imported or exported product is deemed to be the tax liability of the person engaged in such activities. This indirect tax, in every practical sense, is borne by the consumer. The income or loss from such transactions falls outside the tax regime. Only taxable activity subject to normal tax regime is now the ‘industrial production’ or documented service sector like banks etc. In such a situation, there are high incidences of internal transfer pricing in favour of trade of goods so produced to reduce direct taxation on industrial activity. Where such possibilities are not possible, manufacturing activities were disbanded as being non-competitive.

This innovative and creative tax scheme can only operate in countries like Pakistan as ‘governments’ are too weak to take on traders’ mafia. This includes all government – be it political system or military regime. As against that any industrial activity is subject to effective tax rate of 35 percent with a 7 percent labor levy. In short, the present fiscal policies of Pakistan are effectively anti-growth in real sense. When we discuss this matter with the policymakers the readymade answer is vague and based on a totally wrong concept in that high disposable income in the hands of the traders will be reinvested that will accelerate growth.

This presumption is flawed for the reason that such savings are again invested in trading activities or investments in real estates, existing shares in stock exchanges or transferred outside for assets outside Pakistan. We are in a 'fiscal trap' designed to promote 'trade'. This is a unique feature in Pakistan. There is a class consisting of around 7 to 8 percent of population which is getting richer without any effective taxation whereas 90 percent of population is neither provided adequate employment nor infrastructure by the governments. So there are islands of prosperity within the sea of misery.
We need an economic growth of over 10 percent for over 3 decades to bring the country out of the current mess. For this we require an effective fiscal policy that is able to generate revenues equal to 12.5 percent of GDP or US$ 400 billion currently being

US$ 150 billion. Nevertheless, this 12.5 percent is not a sum. The beauty lies in the composition. If around 6 to 7 percent of the same is not generated from direct taxes then all other objectives will fail. Secondly, such 12.5 percent should be collected from every person having income over and above a certain limit.

Discussion in the aforesaid paragraph reveal the following:

(i) In usual circumstances, a tight fiscal policy is anti-growth. However, in Pakistan, pendulum moves in a reverse order. A tight fiscal policy provides incentive for 'selective/non-inclusive growth'. This non-inclusive growth leads to growth in undocumented, untaxed and un-organized sector. Resultantly, there is concentration of wealth in a few hands, non-availability of development resources for the government and deceleration of growth in the real sense;

(ii) The second feature is divergent results for different sectors of economy. Any correction in fiscal regime and tightening of fiscal structure disincentivise the organized sector in multiple sense. Firstly, it starts the tax or tariff burden and secondly, it provides the competitive business advantage for a very large size of economy that falls outside the orbit of any form of fiscal regime;

(iii) Presumptive tax regime, perpetual amnesty scheme and non-availability of asset database are few primary features of tax regime that has created these two islands within our economy;

(iv) The subject of fiscal policy and the subject of economic growth require tailor-made within the context of Pakistan's economy.

The following are solutions and corrections:
(i) All-inclusive growth, being a necessary need of our economy, requires re-establishment of relationship between effective fiscal policy and growth;
(ii) Documentation of asset and recording of assets and transaction should remain the foremost objective prior to development of any framework for fiscal regime. A gap in documentation, if it exceeds 5 to 10 percent of economy essentially results the situation being faced by us;

(iii) Once the certain level of documentation is achieved, the fiscal policies should focus on:

a) Achieving a Tax to GDP ratio of around 15 percent by 2025;

b) All sources of income to be taxed at the similar maximum rate of 20 to 25 percent on net income basis. Complete and uncompromising removal of all forms of presumptive taxation.

c) Effective rate of tax for all kinds of organization be it an individual or a firm or a company should be same. No concept of dual taxation on distribution in the form of dividend;

d) Exemption regime for certain sector to be replaced by zero rating regime;

e) Similar rate of sales tax on goods and services under the Federal and Provincial Government at a level of 7.5 to 10 percent.

In a summary our fiscal policy regime should focus on taxing the all at lower rate instead of a few at an exorbitant rate. This policy requires a larger government sector with reasonable resources to provide education, health, infrastructure and internal security to the people, not leaving such essential attributes of a civilized society to individual and relying on philanthropy for betterment of common. The biggest philanthropy in a civilized society is paying due taxes and ensuring their equitable utilization.
http://epaper.brecorder.com/2017/06/09/21-page/881129-news.html

REMITTANCES DROP TO $17.5BN
Dawn, June 10th, 2017
KARACHI: Remittances sent by overseas Pakistanis slightly decreased in July-May to $17.46 billion, the State Bank of Pakistan (SBP) reported on Friday.

Remittances during the first 11 months of the current fiscal year were down 2.13 per cent or $380 million from a year ago.

The latest remittance figure does not reflect the usually high inflows that are recorded before and during Ramazan as overseas Pakistanis send charity, donations and Zakat every year. Analysts believe Ramazan-related inflows will be reflected in June figures.

Exchange companies said remittances increased in Ramazan. But they don’t have data to back up their claim about increased inflows in the holy month.

Internationally known charity organisations in Pakistan attract hundreds of millions of dollars during Ramazan as donations and Zakat.

Details show remittances declined from all major sources, except the European Union.

The monthly average inflow this year has been $1,587m. With only one month left before the end of 2016-17, total remittances in the current fiscal year are expected to be around $19bn. However, Ramzan-related inflows can push the annual figure close to the total of the preceding year. Inflows in Ramazan can possibly be double the usual monthly remittances.

Inflows posted the growth of 6.4pc in 2015-16 as they touched the record high of $19.9bn. Remittances in the last fiscal year were higher than their annual target of $19bn.

After a decade of consistent growth, remittances started falling year-on-year mainly on account of a drop in global oil prices. It affected the Gulf countries that employ millions of Pakistanis. Pakistan receives about 65pc of its total remittances from the Middle East.

The highest inflows were from Saudi Arabia during the 11 months. Pakistan received $5.03bn from the kingdom, down 6.57pc from a year ago.
Remittances from the United States and United Kingdom also fell 3.22pc and 8.13pc, respectively. Inflows from the United States were $2.18bn and $2.1bn from the United Kingdom in July-May.

Remittances from the United Arab Emirates amounted to $3.9bn, registering a decline of 0.88pc year-on-year.

Remittances from the European Union, which was the only region from which inflows rose in July-May, amounted to $425m, up 15pc year-on-year.

Inflows from member-countries of the Gulf Cooperation Council, except Saudi Arabia and United Arab Emirates, declined 4.5pc to $2.09bn.

https://www.dawn.com/news/1338600/remittances-drop-to-175bn/

July 2017

NEWS COVERAGE PERIOD FROM JULY 24TH TO JULY 31ST 2017

DEVELOPMENT IS MUCH MORE THAN JUST ECONOMIC GROWTH

Dr M Amanullah / Muhammad Usman Khan

The Express Tribune, July 31, 2017

Contemporary scholars have established that development is a multidimensional field and thus encompasses additional spheres covering aspects of human and social development.
The 1980s and 1990s saw the rise of fresh approaches to development, building upon the narrowly defined approaches held around national income growth strategies.
Two leading scholars, Mahbubul Haq and Amartya Sen, are credited with reorienting the focus of development programmes to incorporate dimensions of social and human development.

Haq, an internationally renowned Pakistani economist, worked with Sen, an economic theorist, to advance a new approach of measuring development that amalgamated human and social improvements with economic growth.

Thus, development of the state is strongly linked with numerous factors other than income growth, such as health, education, nutrition, access to clean drinking water, access to energy, infrastructure and mobility among others.

Sen’s novel idea said that standard of living is not to be gauged by commodity possession or having money income alone, but in fact through the ease of availability of opportunities to individuals. For example, real development would make it easier for citizens to get better education, health care, sufficient nutrition, access to energy, infrastructure and safe environment with ease and translate these into enhancing their capabilities.

Subsequently, Haq advocated that investment in human capital is imperative to experience development.

The impact of their work was so profound that it came to be accepted as the official methodology by the United Nations Development Programme (UNDP) and became the guiding cornerstone of future development efforts across the globe.

However, this does not at all imply that economic growth should be left alone and it will come automatically. In fact, economic, social and human development are all contingent upon each other.

Just like markets, governments can either fail or succeed. To achieve successful development, a careful balance needs to be achieved between what the government can accomplish, the behaviour of the market system and what both institutions can achieve at best, working together.

Post-Haq and Sen, the other question that has invited debate amongst development practitioners and researchers is the causality between economic growth and social and human development.

Does economic growth cause better social and human outcomes or better social and human indicators translate into economic growth. The evidence backs both sides, for example, Punjab districts such as Jhelum and Gujrat rank extremely well on the Multi-Dimensional Development Index, primarily derived by the ability of citizens to purchase social services using high remittance inflows.

On the other hand, districts such as Hafizabad, Narowal and Kasur rank high based on government's investments in ensuring better social sector coverage.

In addition, improvement of human capital would increase productivity of the labour force as greater social well-being leads to higher per capita output. Educated, healthy and nourished individuals would be increasingly productive, thus, stimulating economic growth. This proves that investment in human and social development would lead to economic growth.

Therefore, this establishes the existence of a cycle – economic growth generates human and social development and this, in turn, galvanises economic growth again.

If one takes access to energy in Pakistan as an example, the shortage of power affects the productivity of companies by losing out on time and high wastage of material, but this is not the only impact.

Shortage of energy also means that workers when go back home are unable to rest and sleep well due to load-shedding. Thus, they generally feel tired and come to work with a general sense of deprivation.

Estimates show that simply improving access and availability of energy can add up to 2% per annum to growth.

As Pakistan's second consecutive democratic government's tenure draws to a close, it is important to acknowledge that the economy has made certain gains and stabilised the economic climate to a certain extent.

The annual GDP growth made a successful leap from 4.4% per annum in 2013 to 5.7% in 2016 – the highest growth achieved in the last decade.

On the UNDP's Human Development Index (HDI), an indicator devised by Haq, which amalgamates standards of living and economic growth, in 2016 Pakistan ranked 147th with a value of 0.55.

The closer the value is to 1, the better the performance of the country. Since Pakistan's position improved by two units between 2010 and 2015, the ranking puts it in the medium human development bracket.

This also includes countries such as India, Indonesia, Bangladesh, Bhutan, Kenya, Myanmar and South Africa. However, the journey to compare with the world's top countries Norway (0.949), Australia (0.939) and Switzerland (0.939)) is still distant.

There is one more dimension to the debate of economic growth and social improvement namely equitable provision.

UNDP has launched district-level disparities in Pakistan based on the Multi-Dimensional Poverty Index. Results show that whereas some cities/districts such as Lahore and Karachi are doing extremely well on all development indicators, cities/districts such as Killa Abdullah, Kohistan and Tharparkar are extremely deprived.

This deprivation suggests an inequitable approach to development and thus lowers Pakistan's performance. If Pakistan has to improve its development rankings and ensure better citizenry for all, the policy-makers will have to invest considerably more in these deprived regions. The choice is simple – spending a billion rupees in Killa Abdullah district of Balochistan will have much higher returns than spending the same billion in Karachi.

The 18th Amendment to the Constitution has granted provinces considerable autonomy when it comes to development policies, especially in key social sectors such as health and education.

How the provincial governments benefit from this freedom depends entirely on their mandate, style of governance, the provincial demographic and economic situation. Prioritising the social sector for a better quality of life is what leads to development, which essentially reorganises and restructures entire economic and social systems, revolutionising institutional, administrative and social structures, along with transforming beliefs and popular attitudes.

Punjab's Annual Development Plan 2017-18 has a budget of Rs635 billion, which gives highest priority to the development of social sector for which Rs201 billion (32%) has been allocated.

Major focus is on education (Rs82.61 billion), health (Rs51.80 billion) and clean drinking water (Rs52 billion). This is followed by infrastructure (Rs172.1 billion).

Fulfilling the infrastructure requirement for the economy to function efficiently, agriculture, education, health, water supply, governance and service delivery are the top priority in the development portfolio of Punjab.

Appropriate allocations have been made to these sectors that will stimulate economic activity and develop human resource.

Pakistan's economic growth is set to improve through the China-Pakistan Economic Corridor (CPEC), which will serve as a driver of growth, trade, connectivity and infrastructure development in Pakistan as well as China.

This growth is likely to address the multi-dimensional inequity in Punjab and the country as a whole.

Dr M Amanullah is chief economist and Muhammad Usman Khan is an adviser in the Planning and Development Department, Punjab

https://tribune.com.pk/story/1470371/development-much-just-economic-growth/

SINDH PERFORMANCE ON RS8.9BN PROJECT REMAINS BELOW PAR
Dawn, The Business and Finance Weekly, July 31st, 2017

Mohammad Hussain Khan

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Their use avoids contamination of harvest by dust and rain. Such items were previously also provided under a foreign assistance to produce aflatoxin-free chilli. Prices of chilli are now going up due to better quality. Chilli's harvest coincides with rain and growers want construction of elevated platform under the SAGP to handle crop during rains.

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

Under the SAGP, bids are to be re-advertised to import around 3,000 plants of foreign varieties majool,

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

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

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

https://www.dawn.com/news/1348714/sindh-performance-on-rs89bn-project-remains-below-par

NEWS COVERAGE PERIOD FROM JULY 17TH TO JULY 23RD 2017

A DAR-ING MOVE TO UNDERSTATE PAKISTAN'S BUDGET DEFICIT
The Express Tribune, July 18th, 2017.

Shahbaz Rana

ISLAMABAD:Desperate to understate the budget deficit, the government has included the same amount of Rs64 billion as 'non tax revenue' in 2016-17 after it already booked the money as part of its earnings from the Saudi Arabian 'gift' of $1.5 billion two years ago.

This has raised suspicions of figure fudging which, if proven, may invite penalties from the International Monetary Fund, as a single item cannot be booked twice. The IMF had also imposed penalties on Pakistan after coming to know of fudged fiscal accounts during the second year of the PML-N government.

To camouflage the whole exercise, the Finance Ministry has shown the Rs64 billion as sale proceeds of the government-owned LNG-based power plants being set up in Punjab, said sources in the Finance Ministry. However, this has been done in such haste that the owner of these plants – the Ministry of Water and Power – does not even know the modalities.

The government has taken out Rs64 billion from the Pakistan Development Fund Limited (PDFL) and shown it as its non-tax revenues for fiscal year 2016-17 that ended on June 30, sources in Ministry of Finance told The Express Tribune.

Saudi Arabia had 'gifted' $1.5 billion to Pakistan in 2014 to help Islamabad in its time of economic distress. The Pakistan Development Fund was set up with Saudi Arabia's assistance in early 2014 and the government parked the whole amount in the PDF by showing it in the accounts of fiscal year 2014-15.

This can be verified from the accounts of 2014-15 that show a Rs177-billion statistical discrepancy. By taking into account $1.5 billion or Rs177 billion, the budget deficit in that year came down to 5.3% of Gross Domestic Product or Rs1.456 trillion. Had the Saudi gift not been booked in 2014-15, the budget deficit in that year would have touched 6% of GDP or Rs1.633 trillion.

A top official of the Finance Ministry confirmed to The Express Tribunethat Rs64 billion has been taken out of the PDF. But he said that the amount has been utilised to purchase two assets -the Haveli Bahudur Shah LNG plant and Baloki power plant. These two plants have been set up with Rs190-billion investment from the Public Sector Development Programme.

The sale proceeds of these two federal government owned power plants have been booked as non-tax revenues for fiscal year 2016-17, said the official. He said that these were the first two assets created by the money utilised from the Pakistan Development Fund Limited (PDFL).

The government also sold the Pakistan Security Printing Corporation for Rs100 billion to the central bank to control budget deficit for fiscal year 2016-17.

There is a clear violation of accounting manuals, as the PDFL was incorporated as a limited company set up under the Companies Ordinance of 1984, said the sources. They said that the federal government can only book the profits of the PDFL as its non-tax revenue while the asset cannot be shown as non-tax revenue. The spokesman of the Finance Ministry did not officially respond to the questions raised by The Express Tribune.

All creative accounting is being done to understate the budget deficit which, from the financing side, has already gone up to 6.3% of GDP. However, the Ministry of Finance is trying to bring it down to 5.3% of GDP by applying such tactics.

Even at 5.3% of GDP or Rs1.7 trillion, this will be the first time in the last four years when budget deficit will be higher than the preceding year. The government closed fiscal year 2015-16 at a budget deficit equal to 4.6% of GDP.

The government had set up the PDFL as an independent development finance institution (DFI) to be operated on commercial basis. It is not clear what mechanism has been followed to evaluate the two power plants and whether any exemption was claimed from the Public Procurement Regulatory Authority.

In June last year, Dar had invited the Asian Development Bank to join the PDFL as an equity partner. The latest development may hurt the ADB's plans to invest in the PDFL.

https://tribune.com.pk/story/1460325/dar-ing-move-understate-pakistans-budget-deficit/

'THAR TO BE GAME CHANGER FOR ECONOMY OF SINDH AS WELL AS PAKISTAN'
Dawn July 22, 2017

MITHI: Prominent economist Dr Kaiser Bengali has cautioned Tharis to be ready for major changes in their lifestyle in the wake of launch of mega projects in Thar coalfield and said time is ripe for Tharis to stand up and exert pressure on the government to provide them basic facilities at their doorsteps.

Thar was going to be a game changer in boosting the economy of the province and the entire country, therefore, Tharis should keep themselves abreast of the fast-changing circumstances, he said.

Dr Bengali was speaking at a workshop titled 'Tharparkar transformation and opportunities' organised by the Skill Enhancing and Research Home of the Children (SEARCH) organisation here late on Thursday night.

He was of the opinion that Thar was passing through a critical phase and those who were interested in getting benefits from this transformation would have to lose many things in return.

However, with careful planning by the government, mining firms and locals, the coal projects would bring about a positive revolution in people's lives, he said.

But Tharis could never be able to reap full benefits of all this development if they were not imparted both technical and non-technical education. Regrettably, literacy rate in the desert, especially among girls, was dismal, he said.

He urged the Sindh government to focus on education by opening model schools at least at union council level and put in place an effective monitoring system to ensure provision of quality education.

He asked the participants of the workshop to sit with officials of the mining firms engaged in the extraction of coal and urge them to make environment- and people-friendly policies so that the entire Thar was not affected in the name of development.

Dr Bengali appealed to lawmakers as well as representatives of local government to play their role and lead people of the backward area from the front to create awareness about the future of the desert region.

He said it would be next to impossible to bring about a meaningful change in the area until and unless political leaders and activists of the ruling party took upon themselves the responsibility to pave the ground for this major transformation.

Dr Allah Nawaz Samoon, chief executive officer of Thardeep Rural Development Programme, demanded the government should work at the grassroots level and engage locals instead of focusing only on towns. Education was the key if the government was committed to bring changes in the lives of Tharis, he said.

He said that under the obtaining conditions all social activists and members of civil society should engage with communities of their respective areas to make them realise the significance of the transformation process taking place in their midst.

Partab Shivani, social activist, deplored that the government was least interested in making even slight changes in the region. “One could gauge the government’s approach from the fact that during last financial year a huge amount of Rs1,500 million meant for education system of the district was allowed to lapse,” he said.

He said that education system in the district had already collapsed and things were in a shambles due to criminal negligence of the functionaries concerned.

Pakistan Peoples Party leader Shusheel Malani said that Sindh government was paying special attention to health and education in the area.

However, the process to overhaul the rotten system would surely take some time, he said and expressed the hope the situation would get better soon.

https://www.dawn.com/news/1346790

KEY POLICY RATE KEPT UNCHANGED DESPITE SUBDUED INFLATION
Business Rcorder, 23, July 2017

KARACHI: State Bank of Pakistan (SBP) on Saturday decided to maintain the policy rate, for two months, at previous rate of 5.75 percent.

The Monetary Policy Committee, met in Karachi, at SBP Head Office, with Governor Tariq Bajwa in chair. It decided to maintain the policy rate even though challenges on external front continue to plague the economy which is characterised by subdued inflation.

With Current Account deficit taking a toll on the foreign exchange reserves (declining to 16.1 billion dollars from 18.1 billion dollars in one year), SBP issued the following monetary policy statement: –

“At the start of FY18, three features of Pakistan’s economy stand out. First, average headline inflation though higher than FY17 is expected to be lower than earlier outlook and will stay below the target of 6.0 percent, mainly on the back of favorable supply conditions. Second, domestic demand is set to gain further traction as evidenced in the current growth in the real sector, credit to private sector and imports. Third, on the external front, the underperformance of both exports and workers’ remittances greatly impinged upon the current account deficit which reached USD 12.1 billion in FY17. For the time being, the overall balance of payments is expected to stay at a manageable level in FY18 – an assessment relying on steady anticipated financial account inflows and improvement in world growth. The first two features show that the economy is in an expansionary phase, while the third feature highlights near-term balance of payments challenges.

Reflecting further on CPI tendencies, the headline inflation (in YoY terms) has softened at 3.9 percent in June 2017, while core inflation has stayed at 5.5 percent since April 2017. The latter does indicate rising demand. However, marginally lower six-months ahead inflation expectations- captured by IBA-SBP’s Consumer Confidence Survey of July-2017, show that these remain reasonably anchored. Accordingly, SBP is projecting average CPI inflation in the range of 4.5 – 5.5 percent for FY18. This projection is explained by lower than anticipated increase in international oil prices, recent behavior of CPI inflation in June 2017, stable administered prices and lower inflationary expectations.

Turning to the real sector, cumulative LSM (YoY) growth statistics till May 2017 depict a strong positive momentum with food (especially sugar), steel, cement, automobiles, electronics and pharmaceuticals in the lead. Indeed, July-May LSM growth is 5.7 percent against 3.4 percent recorded during the same period of last year. Furthermore, the outcome of agriculture sector is far superior to FY16 reaching its target of 3.5 percent in FY17. This performance is explained by better supplies of factors of production – positively affecting yields of all major crops, and an increase in area under cultivation of sugarcane. The services sector posted a 6.0 percent increase in FY17 compared to 5.5 percent increase in FY16. Going forward, these developments will further entrench in FY18.

As far as the money markets are concerned, market liquidity was able to accommodate strong credit demand from the private sector. In fact, increased economic activity, considerable increase in bank deposits, and low interest rates translated into private sector credit flows in FY17 reaching a decade high of Rs748 billion as compared with Rs446 billion in FY16. It is encouraging that fixed investments and working capital loans grew by Rs 258.5 billion and Rs 360.5 billion in FY17 compared with an expansion of Rs 171.7 billion and Rs 219.3 billion last year, respectively.

Demand for consumer financing, especially for auto and personal loans, also gathered pace during FY17. These trends are set to continue in FY18 given the developments on the real side. On the external front, the current account deficit reached US$ 12.1 billion during FY17. While exports and workers' remittances declined, imports growth surged by 17.7 percent in FY17.

This is mainly owing to machinery imports both for CPEC and non-CPEC energy and infrastructure projects, whereas, imports for plant up-gradation under the ongoing export package for the textiles sector also added pressures. However, in view of the last four months' performance, the decline in exports appears to have bottomed out.

The current account deficit has been managed by FX reserves and a financial account surplus which reached US$ 9.6 billion during FY17 from US$ 6.8 billion in the same period of last year. Apart from the increase in official inflows this accumulation incorporates the impact of increase in private sector borrowing for CPEC projects. Taking into account these developments SBP foreign exchange reserves declined to US$ 16.1 billion at the end of FY17 as compared to US$ 18.1 billion in FY16. Going forward, the global forecasts project a positive outlook with both growth and international trade picking up in FY18.

Based on this assessment coupled with positive domestic policy measures, Pakistan's exports are expected to post gains. Imports on the other hand, albeit at a slower pace, are also expected to grow in line with continuation of CPEC-related activities and improving economic growth. While it remains uncertain whether remittances can return to posting meaningful positive growth very soon, stability of the external account and instrumental reserve accumulation depends upon timely inflows of budgeted bilateral and financial inflows in FY18 as well.

Following detailed deliberations and taking into consideration the strong likelihood of continued growth momentum, contained inflation and the challenges on the external front, the Monetary Policy Committee has decided to maintain the policy rate at 5.75%."

http://epaper.brecorder.com/2017/07/23/1-page/891143-news.html

NEWS COVERAGE PERIOD FROM JULY 10TH TO JULY 16TH 2017
IMF, PAKISTAN FAIL TO SEE EYE TO EYE IN ASSESSMENT OF ECONOMY
The Express Tribune, July 14th, 2017.

Pakistan and International Monetary Fund (IMF) remained poles apart in their assessment of the country's economy, as Islamabad took an optimistic view of the external and fiscal sector while the global lender cautioned about emerging challenges that are posing risks to the favourable outlook.

The IMF once again sought significant devaluation of the Pakistani rupee against the US dollar to curb external sector challenges, as it said that foreign exchange reserves have already fallen "below a comfortable level".

The IMF released on Thursday the Article-IV consultation report on the state of the economy that showed that there was a disagreement between it and Pakistani authorities over a number of issues. They had divergent views on the external sector vulnerabilities, slowing fiscal consolidation and structural reforms.

The IMF staff stressed that reversing the recent decline in foreign exchange reserves and allowing for greater exchange rate flexibility are needed to rebuild external buffers, which are below adequate levels.

It said that Pakistan's real effective exchange rate is overvalued in the range of 10 to 20%, seeking "greater exchange rate flexibility, fiscal adjustment, and structural reforms" to correct the imbalance. The fund advocated that greater exchange rate flexibility would strengthen Pakistan's competitiveness, which has been affected by real effective exchange appreciation.

The IMF said that the exchange rate continued to remain stable against the US dollar, supported by the State Bank of Pakistan's (SBP) foreign exchange interventions, and further appreciated in real effective terms 6% during this fiscal year. Cumulatively, Pakistan's real effective exchange rate appreciated 18% over the past three years, according to the IMF assessment.

"Resumption of accumulation of reserves – including through allowing downward exchange rate flexibility – is needed to further strengthen buffers while also supporting competitiveness," it advised. Prudent monetary policy and greater exchange rate flexibility will be key, to preserve low inflation and re-build external buffers.

However, the IMF said that Pakistani authorities' own assessment suggested significantly lower currency overvaluation. In addition, Pakistan viewed reserves as adequate as they cover more than three months of imports.

After an end of the $6.2 billion IMF programme in September last year, Pakistan's external account has deteriorated at a rapid pace, exposing the hollowness of reforms under the three-year programme. The current account deficit has already widened to $10.6 billion, which is more than double the assessment of the IMF and Pakistan for the fiscal year ended on June 30. The IMF said that the structure of financial account of Pakistan showed reliance on debt issuance rather than on Foreign Direct Investment flows, which have been on a declining trend over the last decade.

"The pace of fiscal consolidation has slowed, public debt remains high, and mobilisation of tax revenue needs to be further strengthened," it added. The IMF said that external vulnerabilities have increased with a widening current account deficit and rising medium-term external repayment obligations linked to the China-Pakistan Economic Corridor (CPEC) and other large investment projects.

Foreign exchange reserves have declined to $16.1 billion since the end of the EFF-supported programme and "remain below comfortable levels". The $16.1 billion reserves are sufficient to finance only 3.4 months of imports. These reserves are inclusive of $3.6 billion that the SBP obtained through derivative position. The IMF said that $3.6 billion forward position could put additional pressure on reserves.

The IMF assessment showed that fiscal consolidation in Pakistan slowed substantially in fiscal year 2016-17. It added that the fiscal year 2017-18 budget is also subject to risks and reaching the deficit target will likely require significant additional revenue measures during the course of the year.

It advised Pakistan that gradual fiscal consolidation should continue through the medium-term to address debt-related vulnerabilities. A stronger consolidation in fiscal year 2017-18 than planned in the budget, in line with the deficit target under the revised FRDL Act, would have been preferable, it said.

The IMF said that public debt and fiscal deficit are projected to be above the ceilings set in the Fiscal Responsibility and Debt Limitation (FRDL) Act. It added that Pakistan will face increasing government and CPEC-related external repayment obligations, and external financing needs are projected to increase to nearly 7.5% of GDP over the medium-term, highlighting the need for macroeconomic and structural policies supporting competitiveness.

Domestic risks could arise from political polarisation in the pre-election period and security issues. In the staff's view, fiscal pressures could rise during the period leading up to the mid-2018 general elections, and growth-supporting reforms could slow.

On the structural front, progress in electricity sector reforms has been mixed, with a renewed build-up in circular debt; and financial losses of ailing public sector enterprises (PSEs) have continued. The IMF staff stressed the need to strengthen DISCOs' performance and adjust end-consumer tariffs to reflect higher input costs, also in view of upcoming increases in generation capacity.
https://tribune.com.pk/story/1457449/imf-pakistan-fail-see-eye-eye-assessment-economy/
NEWS COVERAGE PERIOD FROM JULY 2ND TO JULY 9TH 2017
ST NOTIFICATIONS ISSUED TO IMPLEMENT BUDGETARY STEPS
Business Recorder, 2nd July 2017

SOHAIL SARFRAZ

ISLAMABAD: The Federal Board of Revenue (FBR) has issued sales tax notifications to implement budgetary measures for 2017-18 including one percent further sales tax on supplies made to unregistered persons within the five export-oriented sectors under SRO 1125(1)/2011.

The FBR has issued SRO 584(1)/2017 here on Saturday to amend SRO 1125(1)/2011.

The reduced rate of 5 per cent sales tax has been increased to 6 per cent under SRO 1125(1)/2011. Further tax at the rate of one per cent is introduced on supplies under SRO1125 except on finished good which will attract further tax at the rate of 2 percent. Reduced rate facility is withdrawn from imported finished fabrics.

In case the goods covered under this notification are supplied to a person who has not obtained registration number, further tax prescribed under sub-section (1A) of section 3 of the Act shall be charged at the rate of one per cent of the value whereas further tax at the rate specified in the said sub-section (1A) of section 3 shall be charged on supplies of finished articles under SRO 1125(1)/2011.

Under SRO 587(1)/2017, sales tax shall be charged on local supply of hybrid electric vehicles (HEVs) falling under the PCT heading 87.03 at the specified rates: In case of vehicles up to 1800cc, 50 percent of the rate specified in sub-section (1) of section 3 of the Sales Tax Act, 1990. In case of vehicles from1801cc to 2500cc, 75 percent of the rate is specified in sub-section (1) of section 3 of the Sales Tax Act, 1990.

As per SRO 589(1)/2017, services provided or rendered by marriage halls and lawns, by whatever name called, including "pandal" and "shamiana" services and caterers would be subjected to five percent sales tax within the Islamabad capital territory. This is subject to the condition that no input tax adjustment or refund shall be admissible.

Under SRO 590(1)/2017, the FBR has exempted whole of sales tax on export of IT services and IT-enabled services.
http://epaper.brecorder.com/2017/07/02/1-page/885995-news.html

NUCLEAR POWER PLANTS FACED FUNDING CUTS IN BID TO CONTAIN BUDGET DEFICIT
The Express Tribune, 4 July 2017

ISLAMABAD: In a desperate attempt to contain budget deficit, the government has had to cut development expenditures of various ministries, including funds set aside for critical projects of Pakistan Atomic Energy Commission (PAEC), Gwadar schemes and water and power sectors.

Various government departments and ministries were faced with cuts between 20 per cent and 82 per cent for the fiscal year 2016-17, showed official documents of the Ministry of Planning and Development.

Among the worst-hit projects were two nuclear power plants, Gwadar projects, power generation, water reservoir schemes and allocations for terrorism-hit populations.

For fiscal year 2016-17, parliament had approved Rs800 billion development budget, but the Planning Ministry and Finance Ministry sanctioned only Rs744 billion till the last day of the fiscal year. However, the actual spending is not known yet, as some projects may receive even less funding than their sanctioned budgets.
According to officials of the Ministry of Planning and Development, the main reason behind these radical cutbacks in development expenditures was the government's desire to control budget deficit from slipping beyond the preceding year's level.
Some projects were affected because of their slow progress.

The Finance Ministry was pushed into a corner after the foreign lending component of the federal Public Sector Development Programme (PSDP) and provincial Annual Development Plans (ADPs) exceeded their budgetary thresholds.

For the just ended fiscal year 2016-17, parliament approved a budget deficit equivalent to 3.8 per cent of GDP or Rs1.21 trillion. When the current fiscal year's budget was announced, Finance Minister Ishaq Dar announced to relax the budget deficit limit to 4.2 per cent of GDP.

However, sources said that initial indications suggested that the budget deficit would cross 5 per cent of GDP and might even touch 5.5 per cent or Rs1.75 trillion if some payments were not deferred to new fiscal year.

From the financing side, government borrowings have already increased to Rs1.756 trillion, equalling 5.5 per cent of GDP, showed the central bank data. However, these are provisional figures and the government had some additional non-tax receipts in June such as Rs30 billion from the auction of 4G licenses.

The Aviation Division, Capital Administration Division, Defense Division, Federal Education & Professional Training Division, Pakistan Atomic Energy Commission, Planning, Development & Reform Division, Ports & Shipping Division, SUPARCO, Water and Power Division, Temporary Displacement Persons allocations and Prime Minister's Youth package saw major cuts in their funding.

The Aviation Division budget was cut by 39 per cent to Rs2.9 billion. The worst-hit project was the New Gwadar International Airport after it got no money against an allocation of Rs1.5 billion. The Capital Administration Division budget was cut by 35 per cent to Rs2.3 billion.

The Defense Division's development budget was cut by 68 per cent to just Rs314 million, mainly because of Rs398 million lower allocations for procurement of six Maritime Vessels.
Federal Education Division budget was cut by 24 per cent to Rs1.7 billion. National Education Reforms Initiative did not receive a penny against Rs300 million allocation.
Finance Division budget was cut by 34 per cent to Rs7.7 billion. The Public Sector Enterprises Reform project, necessary facilities for fresh water in Gwadar, fish landing jetty project also in Gwadar, Gwadar Development Authority's projects and Lyari Expressway resettlement project also suffered because of cutbacks.

PAEC budget was slashed by 21 per cent or Rs6.1 billion, mainly because of lower allocations for Chashma Nuclear Power Plants C3 and C4 projects.

The Ministry of Ports and Shipping budget was reduced by 82 per cent to just Rs1.4 billion. This affected critical project such as Eastbay Expressway of China-Pakistan Economic Corridor (CPEC). This project was facing problems because of Chinese objections, which have lately been addressed. The coal conveying system for transportation of coal project was also affected. The Planning Ministry did not sanction funds against annual allocation of Rs735 million. SUPARCO's Pakistan remote sensing satellite project allocation was reduced by 20 per cent to Rs2 billion.
https://tribune.com.pk/story/1449692/containing-budget-deficit-nuclear-power-plants-faced-funding-cuts/

IRANIAN FIRM GETS GO-AHEAD FOR 50MW WIND PROJECT IN SINDH
The Express Tribune, July 4th, 2017.

KARACHI:Since the US eased 37-year old economic sanctions on Iran, Pakistan has been looking to normalise trade ties with its neighbour.

The two bordering countries signed an agreement in April 2017 to open commercial bank branches to conduct trade through formal channels. Pakistan has been importing power from Iran for a long time, and in the latest move an Iranian company has been granted a power generation licence for its 10-year old proposed 49.5-megawatt wind power project in Sindh.

The power regulator, National Electric Power Regulatory Authority (Nepra), announced on Monday that it has granted a power generation licence to Iran-Pak Wind Power (Pvt) Limited (IPWPPL) for a 20-year period from the day it starts commercial operations.

"The project will achieve [commercial production] by June 30, 2019," Nepra said.
According to IPWPPL's application for the grant of the generation licence, the cost of the project is estimated at $112.8 million, it was learnt.

The main sponsor of the IPWPPL project includes SUNIR (Iran Power & Water Equipment and Services Export Company) of Iran whereas the minority sponsors include the Planet Group and the Tufail Group of Pakistan, the authority reported. "SUNIR is an Iranian group company, constituted of 24 independent companies involved in manufacturing of a wide range of different equipment and a rich experience of engineering services and consultancy in water and electricity industries.

"Since its establishment in 1994, SUNIR has successfully performed a wide range of activities in more than 18 countries," stated the documents.

SUNIR first expressed interest to set up the wind power project in in Pakistan in 2006. Later, it made huge efforts and spent time to acquire the required piece of land in the wind corridor of Sindh.

The project also qualifies for carbon credits. "Projects coming into operation up to the year 2020 can qualify for the carbon credits," it said. IPWPPL is setting up an approximately 50-megawatts wind power project in the Jhimpir wind corridor of district Thatta.

Nepra said that the Alternative Energy Development Board has identified two wind corridors (of Jhimpir and Gharo) in the province of Sindh. The estimated potential for these two corridors is more than 50,000 megawatts.

At the moment, around 13 projects with a cumulative installed capacity of around 650MW have been installed and commissioned whereas another 25 projects including IPWPPL, with cumulative capacity of around 1400MW, are in various stages of implementation.

https://tribune.com.pk/story/1449649/iranian-firm-gets-go-ahead-50mw-wind-project-sindh/

RUPEE FALLS SHARPLY AGAINST DOLLAR
Dawn, July 6th, 2017
Shahid Iqbal

KARACHI: The rupee plunged by 3.1 per cent in the opening hours of interbank trade on Wednesday, sparking a shortage of foreign currency in the open market as dealers preferred to hold rather than sell.

By midday the dollar had risen to Rs108.50 before settling at Rs108.25 by close. This is the largest single drop in the currency in nine years, according to Bloomberg, and there is no clarity on how far it might go in the days ahead.

The State Bank of Pakistan (SBP) held its silence during the day as the slide continued unabated, creating serious concern amongst bankers as rumours swirled that the move might be engineered to advance political goals. But hours after the close of trade, the central bank issued a statement owning the move, saying it had become necessary due to a growing deficit in the external account.

“The exchange rate adjusted in the market and the SBP is of the view that this depreciation in the exchange rate will address the emerging imbalance in the external account and strengthen the growth prospects of the country,” said the SBP, adding that it also believes “the current exchange rate is broadly aligned with the economic fundamentals.”

Meanwhile, the move drew a sharp reaction from the finance ministry where an emergency meeting was called in the afternoon. A strongly worded statement issued after that meeting called the decline “artificial” and said it had “negatively affected our foreign exchange markets”.

The finance minister “expressed deep concern, indignation and disappointment” at the move, before adding that “the current political situation is being exploited by certain individuals, banks and entities”. The statement threatened “appropriate action” against those responsible, “in the national interest”.

Presidents of domestic banks have been summoned to Islamabad for an emergency meeting at the finance ministry on Thursday morning. If the finance minister insists on ordering action to restore the rupee back to its original value before Wednesday’s declines, it could set the stage for a clash as banks find themselves caught between the regulator and the government. Legally the finance minister has no powers to compel compliance since those powers are with the State Bank, but informally he wields a great deal of clout.
This is the first open rift between the SBP and finance minister who has been dominating the bank’s affairs for the last four years. The central bank is currently headed by Riaz Riazuddin as an acting governor, who is a career SBP staffer. His term runs till July 28.

The drama started in the morning as the rupee lost against the greenback but the usual interventions from the State Bank did not come, a senior banker told Dawn. “Normally they call with instructions, but when no calls came, we asked them and were told that they are under instructions to let the rupee go.” At that point in time it was unclear where the instructions had come from.

A source in the State Bank told Dawn that the decision is actually months in the making. “This was a decision made at the State Bank, nowhere else,” he said.

“The banks were conveyed a message from the central bank that they should cover the entire imports which means the SBP would not support the banks any more,” said Atif Ahmed, a currency dealer in the inter-bank market.

The State Bank usually supports banks to cover imports and helps to stabilise the exchange rate regime.“We believe this was long overdue as the Pak rupee has been relatively stable since August 2015. Further, during the last 10 years, the rupee has devalued annually by 5 per cent,” said a note of Topline Securities.

“A one-off devaluation move does little to ease pressure on the deteriorating balance of payments position. Rupee is still significantly overvalued than its fair value,” said Eman Zubair from Tresmark.

https://www.dawn.com/news/1343435

COUNTRY’S ECONOMY STANDS ON SOLID GROUNDS: SHAHBAZ
Business Recorder, 7 July 2017

LAHORE: Punjab Chief Minister Muhammad Shehbaz Sharif has claimed that Pakistan of today is much better, peaceful and economically stable than that of 2013.
While talking to assembly members of the PML-N belonging to different districts of the province, here Thursday, Shehbaz said that when PML-N came into power, country was plunged in worst eternal and external problems. However, during the last four years, the historic journey of the country's development and prosperity has moved forward with success under the leadership of Prime Minister Muhammad Nawaz Sharif. He said that PML-N has achieved success in putting the country back to the road of development after wriggling it out of the quagmire. He added that the country's economy has developed on solid grounds.

He claimed that the government of Pakistan Muslim League-N has made unprecedented steps for prosperity, well being and economic development of the people. He said, "We have transformed the graveyards of corruption of these rulers into minarets of development."

He further said that people have fully recognized the elements that have plunged the country into darkness and created obstructions in journey to development. Conspiracies of these elements will not succeed and the PML-N government will continue the journey of development and prosperity, he said.
http://epaper.brecorder.com/2017/07/08/13-page/887302-news.html

August 2017

NEWS COVERAGE PERIOD FROM AUGUST 21ST TO AUGUST 27 Th 2017

STOCK MARKET & THE ECONOMY

Dawn, August 22, 2017

Shahid Kardar

There is an impression that if the stock market is booming (with price earnings ratio and dividend yields of our market comparing quite favourably with those of other emerging markets) the economy must also be doing well, and vice versa. In other words, the stock exchange index is a good barometer of the state of the economy.
The argument proceeds that the nosedive of stock prices in recent days has more to do with sentiments soured by political uncertainty — prompting some, especially foreign, investors to reduce their exposure — and not because economic fundamentals have suffered.

Most economists would argue that stock markets tend to be more vulnerable than other markets to generally held misconceptions. While not saying that the powerful rally in the KSE-100 Index in the last few years was not influenced at all by the improved trajectory of GDP growth, the relationship of stock prices with the state of the economy or its future prospects is at best tenuous in the short to medium term.

Other possible explanations of stock prices being high could be a) that these gains reflect the weaknesses of the economy rather than its strengths, (this article attempts to expound on this argument), and b) that it is an outcome of some developments in the shape of shifting market shares (see later below).

By no stretch of the imagination is the KSE index a measure of the economy as a whole, despite such a popularly held view peddled by stock brokers and the government. And the belief that there is a strong relationship between prices of shares and real investment that enhances the productive capacity of the economy is questionable.

To begin with, equity prices reflect profits and not incomes as a whole. They only mirror a part of overall income that is thrown up as profit. Had the share of profits in incomes been steady then it would not have been an issue. But that is not the case. The share of profits in national income varies, having been much higher in recent times, partly because of the high rates of protection accorded to large sub-segments of industry and not as a result of their improved operational efficiencies and increased global competitiveness. The profits of many of these have grown sharply without equivalent growth in GDP and a broader base of enhanced incomes, raising doubts about the strength of the linkages between profits and overall economic prosperity.
By no stretch of the imagination is the KSE index a measure of the economy as a whole.

Next, they reflect, particularly in our case, the lack of other investment opportunities, largely owing to our skewed tax structure that incentivises such investments and speculative behaviour as opposed to other economic and commercial activities. For example, in 2016-17, investors in the stock market pocketed capital gains in excess of Rs540 billion but paid a mere Rs15bn as tax.
Furthermore, as most followers of the Pakistan economy know, our stock market is still relatively thin (in terms of the available float of traded shares and the scale of participation) and generally perceived, to some extent unfairly, to be the handmaiden of large brokers who manipulate stock prices.

By buying a stake in a company, one is buying a share of future profits. The worth of such an investment to an investor depends on the available options, the returns on other investments in terms of money set aside today for income that will be received tomorrow. And if share prices are high it suggests that investors are prepared to pay more for a certain level of profits/future incomes in the form of dividends and/or capital gains.

The argument raises the question of why the private sector is not investing more (the investment-to-GDP ratio continues to be rather low) despite the high rates of profit. This would be a pertinent query since most of these companies, being listed on the stock exchange, would not be under-declaring their investments for expanding productive capacity, unless we argue that the present political instability or experiences pertaining to policy unpredictability prevents them from taking long-term positions.

Part of the explanation could be that some are making high profits because of the market power they exercise as monopolies, as active members of insidious cartels, being guaranteed high rates of return (eg IPPs), by arranging government subsidies or a more favourable import tariff regime, with limited incentive to invest in the short to medium term to expand their manufacturing and related capacities and businesses.

It had also been hinted that a large part of the growth in profits of the companies listed on the stock exchange is on account of their increased market share at the expense of small-scale enterprises, without this development resulting in a concomitant growth of the GDP or of overall incomes.

In Pakistan, SMEs face infrastructural constraints in the shape of a reliable and efficient infrastructure of energy (while lacking the wherewithal to generate their own power), water, transport and communications and reasonable access to finance. These constraining factors impact their functional efficiencies and their capability to compete. The problems on account of infrastructural deficiencies are more acute in the case of SMEs since they are located in an unplanned, uncontrolled and dispersed manner.

Until recently, underdeveloped infrastructure like road networks, transportation, etc. had helped create sheltered local markets for small enterprises. The only competition they encountered was with each other because of the overcrowding in such a market. However, with the expansion of the network of roads, large units have extended their operations to rural segments of the market for their products, thereby opening up markets that were earlier sheltered because of product and geographical segmentation of the market.

Finally, globalisation has been wreaking changes requiring forced adaptations in technology, and speedily. Companies are switching from large fixed investments to computer-controlled flexible specialisation. This development is particularly significant in our case because old manufacturing and associated technologies are no longer available. This provides further explanation for the reduced share of investments in brick and mortar and extended production and processing lines (partially reflected in the low investment-to-GDP ratios), as was the case in the past, which also created more job opportunities.
https://www.dawn.com/news/1353139

NEWS COVERAGE PERIOD FROM AUGUST 14TH TO AUGUST 20 Th 2017
THE SEARCH FOR ECONOMIC DIRECTION
Dawn, August 14th, 2017

SEVENTY years into its life, Pakistan's economy has seen many changes. Yet, it still remains without direction. When it was born, the country had no productive base to speak of; it had a diminutive agricultural sector, practically no industry, and a shipping fleet so small that the founder of the new nation, Mohammad Ali Jinnah, had to use his personal contacts in the Parsi community in Karachi to arrange for vessels in some cases. Power generation was less than a megawatt, while the water infrastructure, other than a few canals and barrages, was largely nonexistent.

The fact that today we have one of the world's largest cotton crops and textile sectors, generate more than 90bn units of electricity every year, and have big industrial hubs in sectors ranging from automobile and cement to fertiliser to oil and gas are a testament to a long journey that often goes unappreciated — considering the flood of criticism that we unleash on what are our own accomplishments.
With no inheritance to build on, today Pakistan has a functioning fiscal apparatus, industrial base, financial system and water and energy supply chain, all of which were built practically from scratch. This is no mean feat, and it is worth taking stock of the distance travelled over the years.
But so much remains to be done that once we have finished a review of our journey thus far, we must marvel at how fast the challenges have multiplied, and the ways in which history has repeated itself. It was a superpower's war that helped us build the very first foreign exchange reserves with which Pakistan began its first Five-Year Plan in the early 1950s.

And throughout our existence, our role in superpower conflicts has been critical to the building of the vital stocks of foreign exchange with which to carry out our external trade. Pakistan also began its career as an economy deeply integrated with its neighbours, particularly India. But in 1965, those links with India were severed and have not been restored to this day, making our region one of the least integrated in the world. We have seen boom years followed by cycles of bust, yet have refused to learn the single-most vital lesson that each repetition of the cycle carries for us: mobilise the resources to pay for our own growth, or risk seeing the country fall into a state of dependence that affords only fleeting glimpses of prosperity. To this day, we lurch from boom to bust as if stuck in a time warp.

Thus far, Pakistan has accomplished much in its journey, but each new challenge has opened up a dozen more challenges, making a future direction critical for the country. With industrialisation, for instance, came the heightened demand for energy. For more energy more exports were required, for exports more productivity, and for productivity education was needed. Only a trajectory that puts the country on a sustainable growth path, one whose costs can be met with the resources that growth itself generates, can help us break out of this 70-year-long cycle of boom and bust. Unfortunately, seven decades on, that direction continues to elude us.

https://www.dawn.com/news/1351384

NEWS COVERAGE PERIOD FROM AUGUST 7TH TO AUGUST 14 Th 2017
IMPACT OF RISING EXTERNAL DEBT ON ECONOMIC GROWTH
Junaid Zahid

The Express Tribune, August 7, 2017

External debt is a vital source of public financing in developing countries and carries the potential to play a key role in promoting economic growth. Traditional literature regarding economic growth has emphasised the positive role of debt in economic development.
It helps sustain growth by reducing the investment-savings gap, brings funds for spending on modern technology and increases productivity. Pakistan's investment-savings gap, however, has drastically increased over time.

Pakistan lacks financial, human and physical capital and has a vulnerable macroeconomic condition. It is natural then that external debt is required to supplement domestic savings. The question, however, is why do countries borrow?

Borrowing is indeed as old as the nations. The reason behind this is the inability of countries to create enough savings for infrastructure investment and growth. The reason behind insufficient savings is, in turn, low income levels, which are mostly consumed rather than saved. Countries borrow for financing public expenditures, without massively increasing tax rates, so that an enabling environment is created for people to invest funds in different productive sectors of the economy.

Debt becomes necessary to fulfil the government's financial requirements, which otherwise can be met only by increasing the tax rates – the latter being an unpopular decision for the masses and hence not pursued by most governments.

In case a government is facing a budget deficit, the best alternative is to find other sources (borrow) for bridging such a deficit. The story of Pakistan with regard to external debt/foreign debt is self-explanatory.

In 2013, Pakistan's external debt was $60.9 billion, which increased to $65.4 billion in 2014. In 2016, it reached $73.1 billion. Now, by March 2017 it has already increased by more than $2 billion to $75.7 billion. This continuous increase in external debt, even after considering the arguments mentioned above, is not sustainable for the country's long-term growth.

In Pakistan's case, external debt is being obtained against different collaterals, such as government buildings, which may lead to the sovereignty problem.

The question arises whether any government in history ever paid back the entirety of its outstanding foreign debt, if yes, then how?
Romania's political independence from the Soviet Union and her protest against the invasion of former Czechoslovakia in 1968 drew the interest of western powers, who briefly believed that Romania was an anti-Soviet maverick and could create a schism in the Warsaw Pact if funded appropriately.

Romania did not realise that the funding was not always favourable. It was able to borrow heavily (more than $13 billion) from mostly Nato countries to finance economic development programmes, but these loans ultimately devastated the country's finances.

In an attempt to correct this, Romania's Prime Minister Ceausescu decided to repay the country's foreign debt. He announced a referendum and managed to change the constitution, adding a clause that barred Romania from taking foreign loans in the future.

According to official results, the referendum yielded a nearly unanimous "yes" vote. In the 1980s, Ceausescu ordered the export of most of the country's agricultural and industrial products in order to repay its debts. The resulting domestic shortages made everyday life of Romanians a fight for survival as food rationing was introduced and heating, gas and electricity blackouts became the norm.

In the decade, there was a steady decrease in the Romanian population's standard of living, especially the availability and quality of food and other basic goods. The debt was fully paid in the summer of 1989.

Pakistan government also took various steps to overcome the debt problem, like the debt limitation law, loan write-offs and rescheduling of debt and liabilities. However, to reduce reliance on foreign debt, we need to strengthen industrial and agricultural sectors and massively increase exports.

Unfortunately, this is not happening in the country. Pakistan's exports have decreased while public debt has increased.

In 2012-13, Pakistan exported about $24.46 billion worth of goods, which decreased to $20.787 billion in 2015-16.
Exports as a percentage of GDP decreased from 13.3% in 2013 to 12.2% in 2014 and 10.6% in 2015. In 2016, the ratio fell to 8.7%, which according to analysts makes the GDP growth rate of 5.47% in 2015-16 less sustainable.

Pakistan spends about 65% of its revenue to repay its debt while the remaining 30% to 35% is left for expenditure on defence, health, education, infrastructure etc. That is the reason why Pakistan faces poverty and low standard of living.

Although Pakistan's foreign exchange reserves of $21.6117 billion are at an all-time high, the major reason behind this is not increased earnings through exports, but significant savings due to low international oil prices and sustained inflow of remittances from overseas Pakistanis abroad.

The sustainability of these reserves can be challenged in the face of declining exports along with the rise in debt.

https://tribune.com.pk/story/1475552/impact-rising-external-debt-economic-growth/

PAKISTAN'S FIRST URBAN FOREST REACHES GREATER HEIGHTS
The Express Tribune, August 7, 2017

Sheharyar Ali

KARACHI: The satisfaction of having achieved his goal reflected in Shahzad Qureshi's face as he gazed at the trees he planted some 20 months ago.

Inspired by Indian eco-entrepreneur Shubhendu Sharma, whose company develops native and urban forest in cities, Qureshi immediately decided to implement the idea in Karachi in a park adjacent to Neher-e-Khayam in Clifton Block 5. Almost two years later, 95% of the saplings he planted are growing into healthy trees.

The forest is now 20 to 25 feet dense and it is almost impossible to freely move inside it due to its verdure of differing heights and sizes. The forest now also attracts different kinds of birds, insects and worms, which makes it bio-diverse. Colourful butterflies have also been spotted fluttering about.

The recent rain has also left its mark on the forest, as the lush greenery coupled with untamed foliage makes it seem like a true mini-forest.

The trees planted at the urban forest are neem, peepal, keekar, anaar trees, fig trees, sheesham, guavas trees, almond trees, kanair and gulmohar, among others and have grown 15 to 18 feet tall.

Qureshi shared the details of how Sharma assisted him in building this forest. He said Sharma practices Miyawaki methodology to plant forests, which help grow them 10 times faster than usual. He has played an integral role in growing more than 100 small-scale forests in different parts of India, Singapore, the Netherlands and the United States in homes, at schools and at factories to improve air quality and increase biodiversity.

Qureshi then contacted Sharma and invited him to Pakistan to work on a collaborative pilot urban forest project in Karachi, as more than 1,000 people lost their lives during the heatwave in 2015, which was largely due to the lack of greenery in the city. Sharma visited Pakistan in November, 2015 and worked on the project with Qureshi.

According to Qureshi, he planted around 1,280 plant sapling of 45 different species in an area of 400 square-yards and almost all of them were native to the environment. He, however, added that some of the plants, which include lemon and mango trees, were not successful as the area is very close to the sea and the soil is different from other parts of the city.

Explaining his future plans, Qureshi added that many housing developers and non-governmental organisations have contacted him to build more urban forests to create a better environment and for now he is working on an area of 1,800 square feet in a housing society in Lahore.

“I am fond of improving the environment as an individual, where as my services are available for anyone if they need my assistance. I would love to work [on helping others save the environment] since working for the environment satisfies me,” added Qureshi.

He shared that he plans to expand his 400 square yard forest to the total area of the park. The whole park will then be turned into a dense forest.

Putting weight behind his idea, Qureshi said that the idea of an urban forest can be very successful for the city, as there are still vacant spaces and huge parks left with poor foliage. Therefore, trees should be planted instead of replanting grass in these parks again and again, he said. He said that on a larger scale, such ideas can only be implemented by the government as they require huge amounts of funding. Nonetheless, we will continue to participate and do our bit to improve the city’s environment.

Residents of the area were surprised to see the growth of the trees. Muhammad Saad, who lives nearby said he remembered when, last year, they were planting the saplings and he had wondered why they were planting them so close to each other. Now it looks like a mini-forest, he exclaimed.

Saad added that it is good that at least some people are still concerned about climate change and the environment. We, as a society, need to support people like Qureshi and promote his ideas, which will eventually help the city and its citizens.

Environmentalist Professor Dr Zafar Iqbal Shams was also impressed by the idea of planting diverse trees in a small area. He explained that by adopting such ideas and with the government’s support, a drastic change can be brought about to the worsening state of climate and environment in the region.

Dr Shams said that if someone has implemented this idea and it has turned out to be successful then it is the duty of the government officials concerned, including the environmental protection agencies and municipal authorities, to adopt similar ideas of planting and turning local parks into urban forests.

Criticising the policies of the government towards horticulture, Dr Shams said previously municipal authorities built huge parks that lacked trees, which are a major part of any park.

He added that instead of planting trees, shrub-like cornocarpus was planted, which is not even considered a tree by environmentalists. He said that along with this shade-less plant, the authorities preferred planting lush green grass which requires a lot of time, hard work and funds.

Dr Shams explained that neither the grass nor the cornocarpus help absorbing carbon dioxide, therefore the government should adopt this idea of planting more native trees in parks, rather than spending money on grass and cornocarpus.

https://tribune.com.pk/story/1475405/pakistans-first-urban-forest-reaches-greater-heights/

PUNJAB GOVT UTILISES ONLY 75PC OF ADP'S BUDGET
Business Recorder, 7 August 2017

M Rafique Goraya

LAHORE: The Punjab government could utilize only 75 percent of Rs. 550 billion Annual Development Programme budget for FY 2016-17 and Rs. 141 billion remained unutilized for no obvious reason.

According to yearly progress report from July 2016 to June 2017, the Punjab government spent Rs. 409 billion out of allocation of Rs, 550 billion despite much propaganda about the government's development works.

Business Recorder has learnt that against the Original size of Rs. 550 billion ADP, Rs. 110 million were diverted from Special Program (Priority Program) to MCL as nondevelopment budget on in April this year. Besides Rs. 234.762 Million were surrendered for release to the scheme "Construction of Pre-Stressed bridge from Mangri to Fatehpur Afghana on Nallah Bahain District Narowal" and Rs. 250 Million surrendered for release as grant in aid to the scheme "New Modern State of the Art Multi-Purpose Libraray, Multan" leaving the revised size of Rs. 549.405 Billion.

The utilization of funds allocated for human rights was 45 percent, transport sector 34 percent, environment 55 percent, youth affairs 21 percent, energy 36 percent food department 58 percent.

http://epaper.brecorder.com/2017/08/07/2-page/896798-news.html

NUMBER OF RETURN FILERS GREW 50PC IN 4 YEARS: DAR
Dawn, August 12th, 2017

ISLAMABAD: Finance Minister Ishaq Dar said on Friday the number of taxpayers filing returns has gone up by almost 50 per cent over the last four years.

Mr Dar said this while launching the tax directory for 2015-16, which features details of 1.21 million taxpayers, including companies, associations of persons and individuals.

"Initiatives taken by the government to broaden the tax base are yielding the desired results," he said.

The finance minister said tax revenues grew from Rs1.94 trillion in 2013 to Rs3.36tr last year.

Only 30,000 companies filed their returns in 2015-16, less than half the number of firms registered with the corporate-sector regulator, SECP. This reflects the low level of tax compliance within the corporate sector.

Moreover, several hundred companies filed returns showing zero taxes in 2015-16.

The number of returns filed by associations of persons was 55,000. The number of individuals who filed their tax returns with the FBR was 1.13m.

In contrast, the total number of people who were issued national tax numbers was 4.2m. This reflects poor tax compliance in the category of individuals.

It is the fourth directory released in as many years by the Federal Board of Revenue (FBR).

Banks were top taxpayers in 2015-16. Habib Bank paid Rs16.47 billion, United Bank Rs15.22bn, Allied Bank Rs8.87bn, National Bank of Pakistan Rs7.05bn, Habib Metropolitan Bank Rs4.97bn, Standard Chartered Bank Rs4.25bn and Zarai Taraqiati Bank Rs3.24bn.

Other banks paying heavy taxes include Industrial and Commercial Bank of China, which contributed Rs1.12bn to the exchequer, Askari Bank Rs2.51bn and Meezan Bank Rs1.66bn.

In the non-banking sector, Pak-Arab Refinery was the top taxpayer with a contribution of Rs10.36bn, followed by Pakistan State Oil Rs8.16bn, Government Holdings (Private) Ltd Rs7.96bn, Oil and Gas Development Company Rs5.65bn, Kot Addu Power Company Rs5.03bn, Indus Motor Company Rs5.48bn, United Energy Pakistan Rs4.63bn, Nestle Pakistan Rs4.03bn, Lucky Cement Rs4.54bn, Pakistan Tobacco Company Rs3.31bn, and Telenor Pakistan Rs3.73bn.

Companies that paid taxes in the range of Rs2bn and Rs3bn include Huawei Technologies Pakistan that contributed Rs2.25bn, followed by Kirthar Pakistan BV Rs2.02bn, National Refinery Rs2.09bn and Pakistan Telecommunication Authority Rs2.71bn.

According to the directory, Attock Petroleum contributed Rs1.86bn to the national kitty, Kohat Cement Rs1.31bn, Pakistan Telecommunication Company Rs1.1bn, Pakistan Security Printing Corporation Rs1.24bn, Abbott Laboratories Rs1.38bn and Aga Khan Fund for Economic Development Rs1.13bn.

Mr Dar said the tax directory was the manifestation of the government’s commitment to providing access to information to the general public. It should help in creating public awareness, motivation and transparency, he added.
https://www.dawn.com/news/1351015

NEWS COVERAGE PERIOD FROM AUGUST 1ST TO AUGUST 6TH 2017
FAULT LINES IN THE ECONOMY
Andleeb Abbas
The Express Tribune, August 6, 2017

A city developed on fault lines will always be vulnerable to tremors of earthquakes. Similarly, an economy developed without removing the fault lines will always be on the verge of default. Consider this: How would you rate a performance that fails at 83 out of the 89 targets to be obtained? Or to put it the other way around achieves six out of 89 targets, making a pass percentage of 6.74. By any stretch of imagination this is a dismal performance and would raise grave concerns.

In its latest ninth tracking report evaluating government performance, Policy Research Institute of Market Economy (PRIME) titles it ‘PML-N Four Years and Under Performing’, and thus is self-explanatory. PRIME is an independent policy research institute that has undertaken a project which reviews Pakistan's economic performance by tracking the progress made on the implementation of economic manifesto announced by the party in power in Islamabad.

This report is in sharp contrast to the claims of the government on fulfilling its 2013 promises. The PRIME report takes a view on the manifesto items of the PML-N and measures their four year progress on a scale from zero to 10. The report takes the main two items of economic revival and energy security and divides it into many subcomponents to do an in-depth rating of the progress made or reversed on these areas. The average score on economic revival is a mere 4.66 out of 10, while on energy security it is 5.43 out of 10.

These are seriously low achievements, however, the area of greater concern is the subcomponents' ratings within these areas that indicate a further slide in future if corrective actions are not taken. In 12 components of economic revival only two areas, ie, reforms in financial and capital markets and decreasing tax rates got a score above five, while some very key manifesto promises scored zero only because negative scoring was not allowed.

The government has announced its fifth budget and thus there is little likelihood of any miraculous changes in these ratings happening in its last year. This report talks about nominal improvement in GDP growth rate, inflation control, reduction of budget deficit but these are neither on target nor sustainable given that the fault lines in reforms, legislative changes and institutional strengthening have not been addressed. The two areas where the government has scored a zero are elimination of VIP culture by reducing expenditures of presidency, prime minister, chief ministers and governors and improving the regulatory environment at the national level.
These may seem side issues but they are central to a governance system which sets up systems of merit and accountability regardless of rank or file. A small but bizarre example of the VIP culture was the expenditures on the protocol of the family of the ex-prime minister on their presentation before the Joint Investigation Team. A total amount of Rs6.4 million was spent on security and Islamabad was almost shut down for public the day the ex-prime minister's daughter went for the investigation.

Similarly the feud, legal and political, going on between the institutions and the government has created deep chasms in service delivery and performance. Nepra, Ogra, are all fighting for their independence and the Securities and Exchange Commission of Pakistan which is supposed to catch companies violating company ordinances is itself caught in violating all laws to accommodate the government.

The IMF in its latest report has warned the government that without fundamental changes in tax and energy reforms the economy will risk a downward spiral. The problem lies on a lack of focus on policy and programmes, and more on projects. Every now and then projects are announced, inaugurated, re-inaugurated and advertised only to become dysfunctional in a short period of time. They incur massive sunk costs, loans, interest expense and create more debt burden. Nandipur, Quaid-e-Azam Solar Park and latest Sahiwal coal power project are living examples of this waste of public funds.

This short-term, quick fix, focus is dangerous not only in financial terms but in security terms as well. Lahore which was the safest city in Pakistan, this year has become more unsafe than Karachi and many other cities. The recent bomb blast in the heart of Lahore was a reminder of how creating a shiny veneer is not a permanent solution to the cracks beneath. Lahore as a city has been allocated 58 per cent of the total budget of Punjab. Pick up any newspaper and we will see half page advertisements of a new project being announced daily.

One such project was the Safe City Project. Initiated in 2011 it was supposed to be completed in a year but is still incomplete. It was inaugurated in 2016 and spent Rs12 billion for buying 8,000 surveillance cameras to help the police trace and track crimes. Come 2017 and they are still not completely installed and those that were installed were not working on the day of the blast.

The principle of no roots no fruits holds true. Unless there is a fundamental shift in thinking and focus, there will never be a fundamental shift in the economy. The rise in stock markets will never be able to cover up for the fall in literacy rates, health services, tax collection, exports and employment. Ultimately, the fault lines in the mindsets get transferred to fault lines in security and sustainability.
https://tribune.com.pk/story/1475049/fault-lines-economy/

September 2017

NEWS COVERAGE PERIOD FROM SEPTEMBER 25 TH TO SEPTEMBER 30 Th 2017

ECONOMY AND SECURITY

Ikram Sehgal

Dawn, Sep 29th, 2017

A strong connection between the country's prosperity and military power or put simply, economy and security are two sides of the same coin; without political stability, without security and without peace it is difficult to develop an economy. An economy will only thrive when there is security for the people.
Economy needs a secure environment for development while security creates the pre-conditions for sustainable economic growth and integration into regional and global economy. Without security chaos and confusion will result with violence creating its own economy for its sustenance (smuggling, narcotics trade, land mafia, extortion, ransom, etc). In today's world a strong economy translates into greater military power, the weaker the economy the weaker is the military power.

The role of the state in relation to its economy and national security is of paramount importance. If the state is weak for any reason and its institutions are unable to function or are corrupt, both economy and security become compromised and lawlessness raises its ugly head. Some drivers of a weak economy are

1) a large fiscal deficit; 2) tardy growth of economy; 3) increase in expenditures; 4) large-scale borrowing for expenditure requirements; debt starts accumulating; 5) high percentage of resources used for paying off interest on government borrowings; 6) high levels of tax avoidance and tax evasion; 7) high levels of unemployment, inflation; and 8) weak political institutions, etc. Currently, Pakistan's economy faces fundamental challenges to sustain its growth and hence economic security. The importance of Foreign Direct Investment (FDI) can never be undermined, especially for a developing country like Pakistan. FDI inflows have recorded a steep decline many times in the history of the country, due mainly to various uncertainties in Pakistan. Averaging a little more than US$ 1.0 billion annually, FDI has shown a sign of improvement after a long time with 10% year-on-year to

cross the $1 billion mark during July- last year December But given the balance of payments position and urgent need to further boost industrial production, Pakistan needs to increase its mobilization of foreign resources.

This includes remittances by our expatriates through recognized channels. At present, Pakistan's economy faces fundamental challenges to sustain its growth and hence economic security. With falling domestic and foreign investments, the current policy of consumption-led growth is threatening even to maintain the present low economic growth.

China has played a major role in boosting Pakistan's economy through the China-Pakistan Economic Corridor (CPEC), a game-changer for Pakistan and for the region. Linking China's province of Xinjiang with the Gwadar port, the CPEC is a collection of projects aimed at upgrading Pakistan's infrastructure and consequently enhancing economic links between the two.

Overall value of the CPEC projects at around U$62 billion makes it very hard to downplay the impact that this initiative would have on the Pakistani economy. The CPEC is expected to create approximately 700,000 direct jobs by 2030 and boost the country's annual growth by around 2-2.5 percentage points. The CPEC has the potential to deeply reshape Pakistan's economic standing and overall role in the region.

A cornerstone of Pakistan's future economic growth having the potential of lifting the people out of poverty and misery, the 12 energy projects under the CPEC are expected to add 5,000 megawatts of electricity to the national grid. This would boost industrial production as well as agricultural output.

Security challenges are often a good indicator of the geostrategic relevance of an initiative and confirm its sensitive importance. Regional and global players have initiated propaganda at destabilizing Pakistan. India has launched a terror campaign in Balochistan from where the project begins, RAW's senior operative Indian Navy's Commander Kulbhushan Jadhev, now in Pakistani custody confessed that his agents shuttling through Iran, Balochistan and Afghanistan had established terror centers. India also orchestrated a series of "false flag" operations where it slaughtered its own army personnel while putting the blame on Pakistan.
The military has rendered invaluable assistance by setting up a Special Security Division (SSD) comprising 15,000 troops, including 9,000 Pakistan Army soldiers and 6,000 paramilitary forces personnel to protect the CPEC. India views CPEC-related developments as a magnifier of both Pakistan's material clout and of China's overall influence in the region.

However, a concerted media campaign within the country causing doubts about its economic and political potential, is playing into the hands of our enemies. Some pseudo-intellectuals and so-called liberals, wittingly or unwittingly, oppose the CPEC while others having a penchant for self-flagellation do not see anything worthwhile in the CPEC. On the other hand, CPEC's success is subject to a stable political, economic and security environment.

Gone are the days of fighting wars the old-fashioned way; today Hybrid Warfare that blends conventional and irregular warfare and cyber warfare has become reality. Disruptive, exploiting modern technology and financial markets it is used to counteract military superiority, A vital part of hybrid warfare economic sabotage is spreading disinformation and exposing truths, campaigns on social media, manipulation of currency markets, stock exchanges, etc.

With all its benefits economic globalization can also have alarming effects on security. Because of increasing interdependence of world economies as a result of the growing scale of cross-border trade, flow of international capital and wide and rapid spread of technologies, organized crime has diversified, taking on global proportions and reaching macroeconomic proportions.

Mafias are truly a transnational problem: a threat to security, especially in poor and conflict-ridden countries. In terms of global reach, penetration and impact, organized crime has become a threat affecting almost all nations. Cross-border crime and international terrorism are based on significant financial resources illegally obtained by economic fraud, then the vicious circle is closed and money from illegal activities and organized crime are laundered in the economy. From within, the state is weakened because of bad governance – corruption, abuse of power, weak institutions, no accountability (in managing resources), etc.

Treated as a vital pillar of National Security focus must be given to the economy as priority. Strong economic power guarantees national security, strategic thinkers believe security is achieved not by military means but by a booming economy which serves as an enabler of national security while a weak economy is a constraint to national security – case in point, despite being armed to the teeth the Soviets lost the Cold War in the market place. Unless the economy is strengthened through pragmatic macro-economic policies, structural reforms, investment in education and health and infrastructure, Pakistan will have huge problems trying to sustain itself as a secure state.

http://fp.brecorder.com/2017/09/20170929222173/

NEWS COVERAGE PERIOD FROM SEPTEMBER 11 TH TO SEPTEMBER 17 Th 2017
BALOCHISTAN WILL SOON BECOME PAKISTAN'S RICHEST PROVINCE: PM ABBASI
Dawn, September 14, 2017

According to the state-run daily, the Canal will irrigate 72,000 acres of land in the far-flung areas of the district.

"This is no ordinary project. It will change the destiny of Dera Bugti," the prime minister said as he addressed a public gathering in the district.

"This project is a symbol of love between two provinces," Abbasi added, explaining that the 300-kilometre canal runs from Punjab and provides water to Balochistan.

"[Former PM] Nawaz Sharif should have been here today. This [canal] is his project," Abbasi said as he criticised the PPP for not developing the project during its tenure.

"A lot of governments have come, but they only made empty promises to secure their votes. The PML-N does not make false promises; it solves the problems people in the country are facing."
"If you make the right decision when casting your votes, you will also see the benefits," he said.
"These decisions are in your hand," Abbasi added.

Abbasi said that the whole country was indebted to Balochistan as gas from Sui had allowed other provinces to progress.

"This is not a favour to you, this is our responsibility," Abbasi said as he promised to fulfil the fundamental needs of the people. "The people of this province should feel that the rest of Pakistan is repaying its debt to Balochistan."

"Gwadar is one of the routes through which Balochistan will become Pakistan's richest province," the prime minister said.

"I want to say to my brothers who are upset with us to participate in the development and progress of their province," Abbasi added as he promised the development of electricity, road and gas projects in Balochistan.
https://www.dawn.com/news/1357640/balochistan-will-soon-become-pakistans-richest-province-pm-abbasi

October 2017

NEWS COVERAGE PERIOD FROM OCTOBER 23rd TO OCTOBER 29th 2017

TALKS TO MEET ECONOMIC CHALLENGES UNDER WAY:

Business Recorder, 26 October 2017
HYDERABAD: President Federation of Pakistan Chambers of Commerce & Industry (FPCCI), Zubair F. Tufail has informed that the government has started consultation with the business community to meet the economic challenges being faced by the country.
While addressing the traders, industrialists and representatives of the Lions Club, Zubair F. Tufail said that Chief of Army Staff General Qamar Javed Bajwa had also held meeting with the business community while the leaders of three leading political parties also desired consultation with the business community for betterment of the economy.

The ceremony was held here at a local banquet hall on late Tuesday night which was attended by a large numbers of representatives from the business community of Hyderabad as well as of Lions Club.

The President FPCCI has expressed hope that despite unfavourable circumstances, the future of the nation is bright and soon all economic problems being faced by the country would be overcome with the support of all stakeholders.

He said that as a result of the untiring efforts of S.M. Muneer and Iftikhar Ali Malik, the leaders of Businessmen Group, the FPCCI has emerged as a financially strong organization and the group is striving for addressing the grievances of the business community of Pakistan.

The Ex-President FPCCI and nominated candidate for International Director Pakistan Lions Club International Mian Muhammad Idrees while speaking on the occasion informed that over 30 Lions Clubs would be formed in Hyderabad, Tando Allahyar, Latifabad, Qasimabad, Shaheed Benazirabad and Larkana aimed to serve the needy people of the areas.

He called upon the philanthropists to share their pool in respect of donation so that the same could be utilized for improvement of socio economic condition of the poor countrymen. The Chairman Fateh Group and President Hyderabad Chamber of Commerce and Industry Goharullah while responding to appeal of Mian Muhammad Idrees, announced the formation of eight Lions Clubs in Hyderabad.
https://epaper.brecorder.com/2017/10/26/8-page/678442-news.html

US COMPANIES KEEN TO INVEST IN PAKISTAN: AMERICAN BUSINESS COUNCIL SURVEY
Dawn, October 27th, 2017
KARACHI: A large number of US companies have plans to invest in Pakistan, with almost 95 per cent participants of American Business Council (ABC) 'perception survey' optimistic about long-term economic and operating environment in the country.
These findings of the annual ABC survey were shared with the media on Thursday. Over 40pc of the respondents indicated that the perception of Pakistan improved in 2016-17, compared to 6pc from the year before.

For 2016-17, 45pc rated the business climate as being better as compared to the year before when 17pc respondents had rated it good, highlighting market improvement.

The most encouraging feedback received from ABC members is that overall positive perception of US investors was related to some economic stability and improvement in country's economy.

The perception survey allows ABC members to rate their satisfaction on various economic, regulatory and political facts that affect the performance and growth of businesses operating in the country.

The survey gauged the factors that mostly impacted business operations and investment plans — cost of operations headed the list with 87pc of the respondents giving it as being unsatisfactory, with political uncertainty being rated at 57pc unsatisfactory and the impact of undocumented economy at 77pc unsatisfactory.

The performance of various autonomous bodies directly affecting business climate was also monitored in the survey.

Departments like Intellectual Property Organisation, Securities and Exchange Commission of Pakistan, Trade Development Authority of Pakistan and Board of Investment were rated as satisfactory.

The performance of various autonomous institutions directly affecting the business climate was also monitored. However, the ABC survey found the working of Federal Board of Revenue, Water and Power Development Authority, National Electric and Power Regulatory Authority and National Disaster Management Authority being unsatisfactory.
ABC President Kamran Nishat said, "Our members are very optimistic and do see a brighter and prosperous Pakistan. International perception is important and how Pakistan can compete with other countries in the region and attract investment."
On the financial side, ABC member companies contributed Rs135.50 billion to the national exchequer in taxes in 2016-17 as compared to Rs119bn a year ago. There is an increase of almost 14pc. However, exports for the year dwindled down by 10pc from Rs13bn to Rs11.6bn.

https://www.dawn.com/news/1366475/us-companies-keen-to-invest-in-pakistan-american-business-council-survey

NEWS COVERAGE PERIOD FROM OCTOBER 16 Th TO OCTOBER 22nd 2017
COUNTRY WITNESSES NO MAJOR CHANGE IN POLITICAL, ECONOMIC STRUCTURE
The Express Tribune, October 16th, 2017.

Economic and social outcomes in Pakistan have been a mixture of paradoxes since the country came into being.

Pakistan, once a regional economic power in the 1960s, could not realise its potential and fell behind its East Asian fellow countries. Political instability, religious fundamentalism, sectarian violence, ethnic differences, terrorism and regional economic disparities have made the country unstable which has contributed towards an unsatisfactory economic condition.

External influences have also been an important factor in shaping Pakistan's political and economic structure. Pakistan allied with the US against communism and this contributed to creating an elite capitalist state in which large landowners and industrialists dominated the political and economic scenario along with the military and bureaucracy.

Similarly, the IMF and World Bank-led structural adjustment programmes put Pakistan on the path of liberalisation and privatisation which resulted in a more powerful economic elite consisting of industrialists and politicians.

The result of these pro-capitalism programmes is that income inequality has grown over the period with the gap widening across the country.
The lower middle classes have almost no say in politics due to a lack of education and awareness of their civil and political rights. Their existence, as a result, is largely subsistence-based and day-to-day.
The long enmity with India has also had a major impact on the country's economy. A substantial share of resources and funds has been directed towards defence to secure the country against any military threat from India. It is also a cause of not having trade relations with India, which could have proved beneficial for Pakistan in economic terms.

Pakistan's experience with fiscal management has been quite ineffective. The success of monetary policy depends heavily on fiscal support and its prudence. Otherwise, monetary policy is overburdened.

The federal budget deficit, as conventionally defined, has fluctuated around 5% of GDP over the last two decades. In the 1980s, it was 7.1% excluding grants and 6.4% including grants. In the last decade, the deficit-to-GDP ratio decreased to an average of 4%.

The real issue in fiscal management is the decomposition of government expenditure on development versus current expenditure.

While development spending generates economic activity and reduces the overall debt burden, current spending only adds more to the debt burden. Over the decades, our internal and external debt has increased.

It has been claimed that a huge amount of money had been spent by vested interests to resist reformed general sales tax (RGST), which would have led to the “documentation of the economy” and “better tax compliance”.

The Federal Board of Revenue has failed to improve the tax-to-GDP ratio, which dropped to 8% in FY16 from 12.5% in FY02.

Due to inept leadership and corrupt government structures, the country is piling up huge debts. Total foreign and domestic debt at the beginning of 2011 had reached almost $130 billion. Our financial managers are caught in a dilemma.
On the one hand, there is mounting pressure from donors to reduce the fiscal deficit through improved collections while on the other hand, the ailing economy is not in a position to meet the growing revenue targets.
There is a need to raise the tax-to-GDP ratio to a minimum of 13-15%. This should be vigorously implemented in the under-taxed sectors and undocumented areas of the economy, eg agriculture, services and stock market.

Our dependence on import-related indirect taxes is a significant risk to the economy.

In Pakistan, three important organisational branches that affect macroeconomic policy and growth are the bureaucracy (Ministry of Finance, the Planning Commission), the central bank and parliament. Institutional change must occur first in these organisations.

If government interventions are necessary, market pricing should be given priority with a clear focus on providing transparency and accountability. The state can still provide a long-term vision and direction to the economy, but this is only possible if both governance and public institutions are strong.

In a nutshell, Pakistan has not developed politically and economically in 70 years because of historical bureaucratic structure and an elite landowning political class. The middle class has been a junior partner with bureaucracy for its own vested economic interests and due to this there has been no significant positive change in the political and economic structure.

Western influences have also played a part in strengthening the bureaucratic class because of their particular interests and their funds and aid have been used for political purposes rather than economic growth.

The widespread violence in the aftermath of Soviet-Afghan war and US-led invasion of Afghanistan still haunts the country. A friendly neighbour in the form of India could have been a blessing but on both sides of the border it never happened to be a good fortune.

https://tribune.com.pk/story/1532334/country-witnesses-no-major-change-political-economic-structure/

IMPORT DUTY ON EATABLE, LUXURY ITEMS RAISED BY UP TO 50PC
Dawn, October 18th, 2017
Mubarak Zeb Khan

ISLAMABAD: The government has imposed regulatory duty on import of 36 new products and raised its rates on the existing 240 items in a fresh move to curtail rising trade deficit of the country.

The import of these eatable and luxury items — on which the duty has been raised by up to 50 per cent — saw approximately 40pc growth in the first three months of the current fiscal year, despite the fact that the government has already increased regulatory duties on most of these products in the last budget. This is the second time that the PML-N government has come up with such a huge increase in the rates of regulatory duties on imported items. In the budget for 2017-18, the government raised the regulatory duties on 565 tariff lines.

On Tuesday, the Federal Board of Revenue issued a new notification of regulatory duties on 731 tariff lines.

But a senior customs official said that all the items subjected to regulatory duties were consolidated into one SRO as against the earlier eight different SROs. He said no change was made in regulatory duties on 430 tariff lines.

According to the official, the additional duty to be collected from these products would be used to provide cash subsidy to exporters and clear their outstanding dues stuck with the government. The new items that were subjected to regulatory duties include washing preparations, plastic products, tyres of trucks and cars, parts of air-conditioner, varnishes and cigarette papers.

On import of new cars of up to 1800cc, 15pc regulatory duty was imposed while in the case of above 1800cc luxury cars, the duty was increased to 80pc from 50pc.

Eatables
The eatable items on which regulatory duty has been increased include whey powder (from 20pc to 25pc), curd (15pc), grated or powdered cheese of all kinds, processed cheese (from 20pc to 40pc) and desiccated coconut (from 15pc to 35pc).
The duty on fresh grapes, watermelons, apricots and peaches has been raised from 20pc to 40pc, on prunes, apples, tamarind, cherries, pine nuts (chilgoza), plums, lychees, raisins and dried fruits from 20pc to 50pc and on peaches from 20pc to 45pc.

The duty on wheat and other types of wheat has been increased to 60pc from 25pc, on betel leaves to Rs400 per kg from Rs200kg and on beet sugar, jaggery (gur), cane sugar, white crystalline cane sugar and cocoa powder to 40pc from 20pc.

The regulatory duty on potatoes, vegetables and mixtures of vegetables has been raised to 50pc from 20pc. On import of pineapples and aerated water, the duty has been raised to 40pc from 20pc. The duty on different types of juices, soya sauces, tomato ketchup, tomato sauces and mustard flour has been enhanced to 50pc from 20pc.

Cosmetics
The duty has been raised to 50pc from 20pc on perfumes, lip makeup preparations, eye makeup preparations, nail polish, face powder, talcum powder, face and skin creams, tonics and skin food, shampoos, cream for hair, hair lacquers, dyes for hair, toothpaste, dental floss, perfumed bath salts and other bath preparations and shaving cream.

The duty has been raised to 50pc from 20pc on contact lens solution, joss sticks (agarbatti), medicated products for toilet use, soap in other form and organic surface active products and preparations for washing the skin in the form of liquid and cream.

The regulatory duty has been raised to 40pc from 20pc on products of leather. The duty on articles of apparel and clothing accessories of leather has been raised to 50pc, on footwear to 35pc from 15pc and on different marbles to 45pc from 25pc.

Ceramics
The duty has been raised to 40pc from 20pc on washbasin, cisterns ceramic, sink ceramic, toilet ceramic, ceramic sinks, washing basis and dinner sets, dishes, plates, tea cups. The duty on glass beads and imitation pearls has been enhanced to 55pc from 25 and on imitation jewelry to 45pc from 15pc. The duty on LCD, LED and TVs has been raised to 40pc from 20pc and on wood and metal furniture to 40pc from 20pc.
Electronics
The duty has been raised from 20pc to 40pc on ACs self-contained or split type comprising inner and outer unit whether or not imported separately and air-conditioners and on part of air-conditions and fully-automated machines from 20pc to 40pc. The duty has been raised to 50pc from 20pc on chandeliers, lightings, electric tables, desk, bedside or floor standing lamps, illuminated signs, illuminated name plates, videogames consoles and machines.

Sports products
The regulatory duty has been raised to 50pc from 20pc on various articles of table tennis, badminton, squash, cricket balls, balls of other games and football, and to 30pc from 20pc on different products like cover, bladders, bats, wickets, pads, sets, sticks, etc.
https://www.dawn.com/news/136450

NEWS COVERAGE PERIOD FROM OCTOBER 9TH TO OCTOBER 15 Th 2017
PAKISTAN’S CRISIS: LET THE RUPEE DEPRECIATE OR INCREASE TARIFFS – THE BILLION-DOLLAR QUESTION
The Express Tribune, October 9th, 2017.

Jazib Nelson

Islamabad: pakistan’s external sector is under serious stress as the current account deficit has increased to an astronomically high level. Due to this crisis, foreign exchange reserves of pakistan have decreased to $13.85 billion as of September 29, 2017.

Although august brought some respite due to stronger exports, remittances and foreign direct investment; it remains to be seen if it is a one-off event or the start of an improving trend. Either way, challenges to pakistan’s external sector remain far from over.

Unfortunately, policy response to the situation is yet to show any semblance of clarity. Earlier this month, the prime minister’s office was considering to depreciate rupee by 9% or rs10 against us dollar or to increase the scope of 100% cash requirement before goods are imported.
However, finance minister ishaq dar opposed this proposal on the grounds that rupee depreciation will increase the burden of external debt on the federal budget. With the election year ahead, the government will naturally not want to compromise its already limited fiscal space. He has also

opposed the 100% cash requirement option because the imf raised objections when the move was previously used.

Ironically, the impact of both of these polices can be negative on the external sector. If rupee remains overvalued, as it is now, the import bill will remain high. Similarly, if rupee is depreciated, burden of external debt in rupee terms will be a cause of concern.

The government is mulling that the only way out of this apparent puzzle is to increase tariffs. The national tariff commission (ntc) has already identified 300 tariff lines of non-essential consumer goods on which it has proposed to increase duties by 30%.

As always, these goods include cosmetics, consumer goods, and agriculture products. As per the ntc, there is an added benefit of collecting revenue worth rs26 billion for the government. However, per ntc proposal, duties will be abolished completely on import of raw materials and other materials that are used in manufactured exports. So what should the government do? Let the rupee depreciate to rs115 vis-a-vis dollar or increase tariffs to the tune of 30%?

Increasing tariffs on agriculture, cosmetics, and consumer goods can’t bring down pakistan’s import payments in a comfortable range. The recent swift deterioration in current account deficit has come on the back of increased imports of power and construction machinery under the china-pakistan economic corridor (cpec). Increasing tariffs on goods that are not responsible for massive uptick in import payments can’t bring any dramatic improvement in our current account.

On top of that, our economy may run the risk of imported inflation especially in agriculture goods that we import. Pakistan’s major agriculture imports include edible vegetable, oil seeds, fruits, coffee, tea, and spices. While this policy may not reduce our import bill by a large margin, it may adversely decrease the purchasing power of consumers especially those who are poor and lower middle income since a significant portion of their income is spent on food items.
It is widely believed that a depreciated rupee will give a push to pakistani exports. Different business associations and economists have urged the government to depreciate it in order to give a temporary boost to exports. Even the imf has continuously maintained that rupee is overvalued by at least 20%. Dar’s concern about the implication of this policy on external debt can only make sense in rupee terms. But in dollar terms, rupee depreciation can reduce the dollar value of external debt.

According to the economic survey of pakistan 2016-17, pakistan’s external debt is $58.4 billion. If the rupee is depreciated to rs115 per dollar, our external debt goes down to $53.2 billion. It is standard economics, whenever a currency loses value either due to inflation or depreciation, the debtor gains and the creditor losses.

On the other hand, depreciation may not be viewed favourably by long-term foreign investors since they prefer to invest in a currency in which their returns are secure. As pakistan waits on the emerging market funds to invest in the pakistan stock exchange, rupee depreciation may render them nervous.

Rupee depreciation can be the only viable and effective policy option in line with market fundamentals. However, it will only bring temporary relief to our external sector crisis. The fact that pakistan is one of the few economies in the world, which repeatedly seeks help from the imf for its external account crisis, warrants serious attention.

The real problem is that we have always been short-sighted in viewing our current account problems. We have always tried to plug this deficit either through more borrowing, remittances, or foreign direct investment — even privatisation proceeds. When inflows are not coming through these mediums, such as right now, we turn to options like rupee depreciation, tariffs and cash requirements.

A permanent end to the external account crisis can only be achieved through increasing our export earnings. For that, we need to scale down economic protection of industries as it has turned them uncompetitive in the global markets.

The writer is a researcher and works in the development sector of gilgit

https://tribune.com.pk/story/1526263/pakistans-crisis-let-rupee-depreciate-increase-tariffs-billion-dollar-question/

ARMY CHIEF SAYS ECONOMY SHOWING MIXED INDICATORS
Dawn, October 12th, 2017

Khurram Husain

KARACHI: Chief of the Army Staff Gen Qamar Javed Bajwa has said that the army is keenly watching developments in the country's economy and shares some of the apprehensions being voiced about it.

"The economy is showing mixed indicators," he said before an audience of businessmen and the military leadership of Karachi at a daylong event organised by the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) and Inter-Services Public Relations at the DHA Golf Club on Wednesday.

"Growth has picked up but the debts are sky high. [The situation regarding] infrastructure and energy have improved considerably but the current account balance is not in our favour."

The closest Gen Bajwa came to identifying economic priorities was when he stressed the need for widening the tax base, bringing in fiscal discipline and ensuring continuity of economic policies.

The event was held to discuss the intermingling of economy and security in today's Pakistan and the keynote address by the chief of the army staff was preceded by a rather wild and roving discussion among various panellists about where the economy stands today. Almost all the speakers spoke at length about the China-Pakistan Economic Corridor (CPEC) as the cornerstone of Pakistan's economic future.

Speakers included Ishrat Husain, a former State Bank governor; Salman Shah, the financial adviser during the regime of Pervez Musharraf; Ashfaque Hasan Khan, former director general of the Debt Management Office, also under Musharraf; Zubair Tufail, Lt Gen Muhammad Afzal; DG of the Frontier Works Organisation; and the FPCCI president.

The army chief told the audience that in the past it was "fashionable" to say that economics had subsumed security, but with the reemergence of "parochial passions" today "security has once again become the foremost business and task of the state".

A little later he underlined the importance of the economy for sustaining the security gains of the past few years, adding it “is high time for us to [give] economic growth and sustainability the highest priority. Let me share with you that during the National Security Council meetings, economy remains one of our highest concerns”.

He described Pakistan as “a strategically challenged state” where “external actors are attempting to assert control and dictate our security priorities that have strong linkages with our economic future. The centrepiece of this effort is the CPEC”.

The allusion appears to point towards the growing closeness between China and Pakistan, which is shaping up to be a security as well as an economic relationship. Most recently, US Secretary of Defence General James Mattis told Congress that the United States opposed CPEC because “it goes through disputed territory”.

The army chief himself described CPEC in grand terms. “This corridor is not just a collection of infrastructure and power projects — it is in fact a complete development platform that has the potential to act as a powerful springboard for shared development in the entire CASA (Central Asia-South Asia) region,” he said during his prepared remarks.

“However, the completion of the project and, more importantly, optimisation of its socio-economic dividend for Pakistan and the region hinges on one word: ‘security’,” he added.

When talking of the effort to establish security, he said “we need a comprehensive effort to pursue [the] National Action Plan”, and pointed towards police and judicial reforms as obvious examples of the sort of measures that must be implemented under it. Then he added madressah reforms to the list. “Madressah reforms are also vital — we cannot afford to leave a large segment of our youth with limited options. Madressahs must enable their students to become useful members of society who are not left behind in any field of life.”

Gen Bajwa described Pakistan’s external situation as “a belligerent India on our east and an unstable Afghanistan on our west”, and twice called for peace with neighbouring countries and his “genuine desire to have normal and peaceful relations with India; however it takes two to tango”.

Through most of his speech, the COAS read from a prepared text, departing from it on occasion. In one instance, he addressed a question raised by Marium Saba Chaudhry of the FPCCI, in which she had criticised some of the speakers on the panel discussion that preceded his keynote address, for referring to residential areas in Gwadar as “slums”.

“These are not slums” she objected. “The inhabitants are not occupying this land illegally. These people live in these areas of Gwadar from where they fear they are going to be evicted to make room for the CPEC-related projects,” she told the panel, adding that when you refer to their neighbourhoods as ‘slums’ it heightens their fears that their claim to their homes is being weakened in the run-up to a mass eviction.

The army chief began his remarks by acknowledging the point, telling Ms Chaudhry: “I will address your question after my remarks.” At the conclusion, he addressed Ms Chaudhry by name and told her that Balochistan was close to his heart. “We have failed Balochistan. Pakistan has failed Balochistan and we will not let it happen again.”

He ended his speech by reminding the assembled businessmen of their duty as he saw it, which included paying their taxes, since the contribution of direct taxes to Pakistan’s treasury was abysmally low. “We have done our part on the security front, now it’s up to you to take initiative and turn the economy around.”

https://www.dawn.com/news/1363192

PAKISTAN HITS BACK, REJECTS WORLD BANK’S ESTIMATE OF FINANCING NEEDS
The Express Tribune, October 12th, 2017.

ISLAMABAD: In a rare rebuke, Pakistan on Wednesday took exception to the World Bank’s attempt to paint a negative picture of its external account, saying the country’s gross external financing needs stand at $18 billion this year – 41% less than what the bank has claimed.

“Pakistan’s external account has shown a strong performance in the first two months of the current fiscal year and misinterpretation of data (by the World Bank) to deliberately paint a negative picture is uncalled for,” said a spokesman for the Ministry of Finance.

The ministry issued the statement a day after a World Bank report made shocking claims about Pakistan’s gross external financing needs.

The ministry has accused the World Bank of “misinterpretation” of the standard definition of gross external financing needs and “misstatement” about the performance of external account. In the report, the World Bank put gross external financing needs of Pakistan at 9% of gross domestic product (GDP) ie $31 billion for the current fiscal year 2017-18, said the spokesman.

The gross financing requirement had been worked out by taking into account portfolio investment of 4% of GDP, which was equal to $13.8 billion. The report further projected deterioration of the external sector in the current year, he added.

As per international reporting standards, portfolio investment was not included while calculating gross financing needs of a country, argued the spokesman. He said as per international standards, a country’s gross financing need was an aggregate of current account deficit plus debt servicing for the year.

“Based on this standard, Pakistan’s gross financing need for 2017-18 is about $18 billion (5.3% of GDP) rather than $31 billion (9% of GDP) as mentioned in the report,” he said.

As of September 2017, the total portfolio investment in Pakistan was $6.6 billion, which was just 1.94% of GDP rather than $13.8 billion (4% of GDP) as claimed by the World Bank. “Again it is a misstatement of facts,” he said.

However, apart from giving wrong figures of the gross external financing needs, some observations of the bank about the health of the external sector were correct.

The Ministry of Finance is portraying a positive outlook of the external sector on the basis of just two-month data. It is ignoring the record $12.1 billion current account deficit in the previous fiscal year as well as a steep decline in foreign exchange reserves. Pakistan's gross official foreign currency reserves stood at only $13.8 billion – a reduction of $5.6 billion in the past one year.

The spokesman added that the report itself pointed out that "improving the external balance hinges on the revival of exports, slowdown in imports and stable remittance flows". This is precisely what has been achieved in the first two months of the current financial year.

The ministry said exports during July-August 2017-18 stood at $3.93 billion, 17.7% higher than the same period of last fiscal year. Imports in the two months stood at $9 billion against $9.738 billion in the preceding two months (May-June 2016-17), a deceleration of 7.6%.

Workers' remittances during July-August 2017-18 stood at $3.5 billion against $3.09 billion in the same period of previous year, showing an impressive increase of 13.2%.

The spokesman said as a result of improvement in these key economic indicators, the current account deficit during July-August 2017-18 stood at $2.6 billion compared to $3.10 billion in May and June, showing a substantial improvement of 16.2%.

With these positive trends strengthening in coming months, the current account deficit would improve significantly, said the spokesman.

https://tribune.com.pk/story/1528966/pakistan-hits-back-rejects-world-banks-estimate-financing-needs/

FPCCI DEFENDS ARMY CHIEF'S REMARKS ABOUT ECONOMY
Dawn, October 15th, 2017

ISLAMABAD: Responding to criticism of Pakistan Army Chief Gen Qamar Bajwa's comment on the economy, the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) on Saturday said that the military could not remain indifferent to deteriorating economic situation of the country.

"The army cannot remain unconcerned with the deteriorating situation while tirade against this institution will not only result in more instability, but will also damage the country's image," said Malik Sohail Hussain, chairman of the FPCCI coordination committee.

Mr Hussain said the army chief had infused confidence into investors and the statement of the Inter-Services Public Relations chief was based on facts.

"The army is the guardian of our ideological and geographical frontiers and the entire nation acknowledges its services and sacrifices," Mr Hussain said, adding that safety and security were essential for economic growth and a strong economy supported strengthening of security institutions.

Mr Hussain was the focal person at the FPCCI seminar where the COAS spoke about the state of the economy. He said that the comments by the COAS attracted unnecessary criticism from certain quarters.

"Top economists and business leaders of the country were present there who agreed to the point of Gen Qamar Bajwa," Mr Hussain said.

The FPCCI leader said that national and international researchers continued to comment on the state of the country's economy and, therefore, the institution responsible for the national security could also comment on the economy which should be taken positively.

He said the China-Pakistan Econo-mic Corridor was being completed in time despite opposition by various countries and the key role in this regard was being played by the armed forces.

"The government and the army are on the same page on the economic corridor issue, and it was essential that they remain on the same page on economic issues because otherwise the country will face problems," he said.

A joint statement by several FPCCI members said that a weak economy could never guarantee sovereignty of a nation otherwise the Soviet Union would not have been dismembered.

They said the government should not waste time on petty issues and focus on correcting the direction of the economy so that grave threats to it were handled properly.

https://www.dawn.com/news/1363945

NEWS COVERAGE PERIOD FROM OCTOBER 1ST TO OCTOBER 8 Th 2017
SBP HAS DOWNPLAYED MASSIVE THREATS TO PAKISTAN'S ECONOMY: REPORT

The Express Tribune, October 3rd, 2017.

KARACHI: The State Bank of Pakistan's (SBP) assessment of the economy is over-optimistic and is underestimating threats to the economy given recent increase in international oil price, depleting dollar reserves and pressures on currency and exports, a local brokerage house said on Monday.

Last week, the central bank showed agreement with the government to achieve the targeted growth of 6% in Gross Domestic Product (GDP) in the fiscal year 2018.

"While we agree to a certain extent on GDP growth, which we expect to clock-in at 5.6% in FY18, the central bank in our opinion failed to address the growing concerns on the external account front," JS Research's analyst Syed Atif Zafar said in a critique on the SBP's Monetary Policy Statement (MPS) announced last Friday.

The bank maintained the key interest rate at 5.75% for the next two months, considering inflation would remain below the target of 6% in FY18 despite modest increase going forward.

"Everything put together, we believe (the) SBP is underestimating pressures on the economy given recent increases in international commodity prices, lack of foreign inflows, pressures on currency, exports etc," said the analyst.

The international oil price, which remains a major source of inflation, is lifting its head. WTI Crude Oil price increased around $10 per barrel to over $51.5 per barrel in the last three months and this is not a tiny development for oil importing countries like Pakistan.

Upward movement in the international oil price means Pakistan's import bill would surge notably. In recent months, moreover, usage of oil has tremendously gone up due to ever increasing cars population in the country.

On the other hand, the country lacks sources of income in dollar denominations, which are a must to avoid a balance of payment crisis. Going forward, the country needs additional reserves to pay off record high foreign loans, including those borrowed from China to finance multibillion dollar projects under the China-Pakistan Economic Corridor.

Economist Dr Ashfaque Hasan Khan has recently foreseen the widening current account deficit to be creating a serious balance of payments crisis for Pakistan by March-April 2018, forcing the government to re-negotiate a bailout package with the IMF by that time.

He estimated the current account deficit to be around $16-16.5 billion during FY18 with another $7-7.5 billion needed for debt servicing, taking the total amount of foreign exchange required to $24 billion in FY18.

On the contrary, he estimated Pakistan's receivables to amount to $12.5 billion from several sources including the World Bank, Islamic Development Bank, Asian Development Bank and AIIB, he said.

"SBP believes exports outlook appears encouraging based on the first two months of the fiscal year but we believe the decent growth witnessed during the said period is mainly due to low base of last year," Zafar said.

"We, in our base case, have incorporated increase in policy rate by 50 basis points in May-2018; however, we believe there is a strong case for the central bank to increase policy rate earlier and begin/allow gradual devaluation/depreciation of the currency to fill the recent cracks emerging in the economy," he added.

Elixir Research's analyst Sharoon Ahmad said, "While MPC's tone changed slightly with regards to building inflationary pressures, we believe interest rate lift-off to begin from May-18 based on our inflation projections with three interest rate hikes of 25 basis points each in 2018.

"Moreover, the risk of Pakistan rupee depreciation and persisting higher international oil prices may cause inflation to increase faster than expected and force MPC to start raising interest rate much earlier."

https://tribune.com.pk/story/1521484/sbp-downplayed-massive-threats-pakistans-economy-report/

PAKISTAN AMONG TOP 10 ECONOMIES IN TERMS OF ITS INTERNET USERS
Dawn, October 4th, 2017

Amin Ahmed

ISLAMABAD: Nearly 16 million Pakistanis went online for the first time between 2012 and 2015, accounting for half the number of the overall internet users in the country, according to a UN report released on Tuesday.

This made Pakistan one of the top 10 economies in terms of the number of its people going online during the period. The country was at the ninth position on the list compared to India (1st), Iran (7th) and Bangladesh (10th).

However, the ‘Information Economy Report 2017’ — released by the UN Conference on Trade and Development — points out that many states in the Asia-Pacific region still remain relatively unprepared for the new digital era, and calls for concerted efforts to ensure that “no-one is left behind as a result of digitalisation”.

Carrying ‘Digitalisation, Trade and Development’ as its theme, the report says Asia-Pacific economies play a central role in the evolving digital economy as producers as well as consumers. It notes that 42 of the 135 largest digital economy corporations by market capitalisation are based in Asia.

E-commerce is also growing fast in Asia. Three of the four largest national e-commerce markets in the world are in this region, namely Japan, China and South Korea. Besides, China boasts the world’s largest market for business-to-consumer e-commerce.

Data from the Universal Postal Union (UPU) on the volume of international postal traffic furthermore shows that developing countries, especially in Asia and the Pacific, are becoming increasingly important participants in cross-border trade.

Their share in global postal deliveries sent abroad rose from 26 per cent to 43pc between 2011 and 2016. During this period, global deliveries of small packets, parcels and packages more than doubled, likely due to e-commerce.

Developing economies accounted for nearly 90pc of the 750 million people that went online for the first time in 2012-2015, led by India (177m) and China (122m), according to International Telecommunication Union (ITU) data.

The report says that new technologies can also make productive activities more efficient and spur innovation. But there are also risks and challenges of digitalisation. This is especially true for countries that are inadequately prepared for the digital economy. Digitalisation may lead to increased polarisation and widening income inequalities.

Productivity gains may accrue mainly to a few, already wealthy and skilled individuals. Another concern is the growing use of data flows and Internet of Things, which raises worries over data privacy and security. Furthermore, there is a risk of jobs becoming obsolete as a result of digitalisation, it says.

The report stresses that preparing for the digital economy requires a concerted, holistic, cross-sectoral and multi-stakeholder approach to policymaking. Key national policy areas include information communication technology (ICT) infrastructure, education and skills development, competition, science, technology and innovation and fiscal issues, as well as trade and industrial policies.

National policymaking also needs to be complemented by international support to prevent the evolving digital economy from leading to widening digital divides and greater income inequalities.

Further, it is important to ensure that more people and enterprises in developing countries have the capacity to participate effectively in the digital economy, meaning that the international community will need to expand its support on a massive scale.

The report says that digitalisation is impacting every aspect of production and trade, from the largest corporations to the smallest traders, but there is a risk that it will lead to widening income inequalities.

ICTs, e-commerce and other digital applications are helping a growing number of small businesses and entrepreneurs in developing countries to connect with global markets and open up new ways of generating income.

The report points out that more than half of the world's population remains offline, and the pace of growth in access and use is slowing, particularly in the world's least developed countries where only one in six people used the internet in 2016.

https://www.dawn.com/news/1361586/pakistan-among-top-10-economies-in-terms-of-its-internet-users

BOI LOOKS TO INCREASE PAKISTAN'S FDI TO $250 BILLION BY 2025
The Express Tribune, October 5th, 2017.

The Board of Investment (BoI) is devising a long-term plan to maximise benefits from the China-Pakistan Economic Corridor (CPEC), and increase Foreign Direct Investment (FDI) for infrastructural developments up to $250 billion and allied industrial activities by 2025, said BoI Director Zulfiqar Ali.

Pakistan has faced low levels of FDI in recent times with the amount close to the $2.4-billion mark in 2016-17. It was only $900 million in 2014-15, surging more than two times to reach $2.3 billion during the next year.

While the road to $250 billion seems a very lengthy one, Ali said CPEC will go a long way in helping Pakistan achieve the figure.

In a briefing to journalists on Wednesday, he said, "The project has huge scope and just the amount of toll tax generated by utilising CPEC routes could generate revenues three times more than the current national budget by 2030."

The revenues and employment generated by operational Special Economic Zones (SEZs) and other industries will be additional benefits, he added.

"We have already started development of seven SEZs with Chinese cooperation out of which three each are being established in Sindh and Punjab and one in Khyber-Pakhtunkhwa (K-P)," Ali informed.

The BoI director was of the view that CPEC is a second chance for the industrial and economic development of Pakistan after the 1960s industrialisation, which should not be missed.

He said that CPEC has importance for both; Pakistan and China. Through CPEC and Gwadar deep sea port, the distance between the Jaboti deep sea port of Africa will be reduced to just five days. Jaboti is the gateway to Africa; and China has heavily invested there to fetch the African markets, he observed.

Pakistan has an added advantage of being one of the biggest consumer markets, besides its strategic placement on the world map. Thus, the country is an ideal location for investors but only two concerns need to be addressed; security and energy issues.

Also, as an outcome of Pakistan's negotiations with China, early-harvest projects of CPEC on energy sector are beginning to add electricity to the national grid. It is expected that there will be no power outages in 2018 and by 2020 maximum energy will be added into the national grid, Ali stated.

He mentioned that the government negotiated well with the Chinese government to invest in energy sector and complete those projects at the earliest.

Other projects of infrastructure and energy will be completed 2020, while mid-term by 2025 and long-term by 2030.

The BoI director has dispelled the impression of favouring Chinese investors by giving them special treatment.

"For BoI and the government, every foreign investor is equal, besides, same level of return on investment is available to local investors as well," he clarified.

https://tribune.com.pk/story/1523098/boi-looks-increase-pakistans-fdi-250-billion-2025/

November 2017

NEWS COVERAGE PERIOD FROM NOVEMBER 27Th   TO DECEMBER 3rd 2017

SURGING DEBT, TRADE IMBALANCE ERODING ECONOMIC GAINS: LCCI

The Express Tribune, November 28th, 2017

LAHORE: Trade imbalance and rising foreign debt are reversing benefits of hard-earned gains and the situation will become more critical if immediate remedial measures are not taken, said officials of the Lahore Chamber of Commerce and Industry (LCCI).

In a statement issued on Monday, LCCI President Malik Tahir Javed, Senior Vice President Khawaja Khawar Rasheed and Vice President Zeshan Khalil said that the country made reasonable economic progress in the recent past, but swelling trade deficit and debt have put a reverse gear, posing serious challenges to the economy.

They said that the trade deficit has widened in the first four months of the current fiscal year despite a 10% growth in exports. The balance of trade widened by 31.24% during Jul-Oct compared with the deficit of $9.24 billion in the corresponding period of the previous fiscal year. The LCCI office-bearers said that the issue of huge trade imbalance could only be tackled by enhancing exports and all other ways like imposition of regulatory duty are a waste of time.

Pakistan's most favourite export markets have been Europe, North America and Gulf. The exporters need to look for new markets in Central Asia and in the south towards Africa, Indonesia and Malaysia, officials urged.

They said that Central African Republics have on the whole around $70 billion imports whereas Pakistan's exports to them are negligible.

The officials were of the view that Pakistan should particularly sign free trade agreements with Central Asian Republics and the countries in Gulf, Indonesia and Malaysia.
Pakistani exports are also suffering due to skyrocketing input cost together with mind boggling tax regime therefore these issues should also be resolved with due consultation, the LCCI office-bearers suggested.

Citing figures, they said that Pakistan's external debt has increased to $82.9 billion in the second quarter of 2017 from $75.7 billion in the same period of the previous year.

Debt servicing is eating up a major part of fiscal budget therefore, policy of acquired debt should be abandoned in the larger interest of the country, they remarked.

https://tribune.com.pk/story/1570324/2-surging-debt-trade-imbalance-eroding-economic-gains-lcci/

NEWS COVERAGE PERIOD FROM NOVEMBER 20 Th TO NOVEMBER 26 Th 2017
PM SEES ECONOMY TOUCHING 6PC GROWTH RATE NEXT YEAR
Dawn, November 21, 2017

KARACHI: Prime Minister Shahid Khaqan Abbasi has predicted that the economy which has already hit a nine-year high 5.28 per cent growth rate during the current financial year is most likely to touch 6pc next year citing "vision of the leadership" and timely completion of development projects.

Addressing the inauguration ceremony of the second Liquefied Natural Gas (LNG) terminal at Port Qasim here on Monday, he said when the Pakistan Muslim League-Nawaz government came to power in 2013 it faced serious challenges, including energy crisis, lawlessness and a tottering economy.

He said the government was committed to resolving the issue of energy shortages and had successfully reduced the gap between demand and supply both in electricity and natural gas. The development work was going on several power projects to overcome the challenge in the shortest possible time, he added.

"The challenge of power shortages has been addressed with the import of LNG," he said. "In 2013, the government was informed that it would take a minimum seven years before any of its ambitious projects could take shape. But it's a moment of pride for our government that it has completed all the projects that we initiated about four years ago."

Built by the private company, the second terminal would handle another 600MMCFD, taking the total import volume to 1.2 billion cubic feet per day. Pakistan is already importing 600 million cubic feet of LNG per day through its first LNG terminal at Port Qasim.

Mr Abbasi congratulated the private company — Pakistan GasPort Limited — on completion of the project and called it a success story. He said the government allowed only the private sector to build and operate the terminal restricting its role only as facilitator and regulator.

“The government’s function is not to do business but to provide a regulatory framework,” he said. “Following the same policy, the government is working on ways to produce electricity through different options. Three more LNG-run power stations would soon be operational to add more electricity to the national grid. Similarly, work on 1,360 MW coal power project is also nearing completion.”

He said the LNG was the cheapest fuel available in the country and would adequately meet the requirements of the commercial, industrial, domestic and the CNG sectors.

https://www.dawn.com/news/1371868/pm-sees-economy-touching-6pc-growth-rate-next-year

PAKISTAN BORROWS ANOTHER $500M FROM CHINA
The Express Tribune, November 23rd, 2017.

Pakistan has obtained yet another foreign commercial loan of $500 million from the Industrial and Commercial Bank of China (ICBC), a move aimed at stopping official foreign currency reserves from slipping to dangerous levels.

With the fresh foreign loan that Islamabad contracted on October 11, total foreign commercial borrowings in the first four months of this fiscal year have crossed $1 billion, said sources in the Ministry of Finance.
The finance ministry had informed parliament in June this year that it would obtain $1 billion as commercial loans during 2017-18 that will end in June next year. However, it has already breached the limit with eight months remaining.
So far, Citibank has given $267 million and Credit Suisse AG loaned $255 million. Pakistan had signed a $450-million short-term foreign commercial loan contract with the Credit Suisse-led consortium in order to boost reserves and pay off a previous loan of Credit Suisse.

Citibank and ICBC are among half a dozen banks that Pakistan has engaged as joint lead managers to float Sukuk and Eurobonds. The road shows for the Sukuk and Eurobond began on Wednesday to raise $2 billion to $3 billion for propping up official foreign currency reserves.

The ICBC had also given $300 million commercial loan in the last fiscal year. The loans were obtained to stop the downward slide of the official foreign currency reserves that currently stand at $13.67 billion. The finance ministry was trying hard that the reserves do not slip below two-and-a-half-month import bill cover.

The official foreign currency reserves have depleted by $2.5 billion since July this year due to a high import bill. The current account deficit during the first four months of the fiscal year widened to over $5 billion – higher by 122% over the same period of the previous fiscal year.

During the past four and a half years, the PML-N government has been subjected to severe criticism for acquiring expensive foreign debt and increasing the overall debt pile. Pakistan's debt sustainability indicators have worsened in the past one year and its external debt to foreign exchange earnings ratio has further deteriorated, affecting repayment capacity.

Foreign loans are only productive when these are utilised for asset building as this provides a source of earnings, according to a study carried out by renowned economist Dr Kaiser Bengali. His work suggested that with a shift in focus from project to programme loans, the country's infrastructure is completely ignored and it has started to collapse.

Bengali argued that as long as the rate of return is at least 1% higher than the cost of borrowing, foreign debt does not create trouble in debt management. However, most of the fresh borrowings are going to meet budget financing needs, which adds to the burden on the government.

During July-October period of this fiscal year, Pakistan obtained $2.3 billion worth of foreign loans, which is equal to 30% of the annual budgetary estimates of $7.6 billion.

During the first four months (July-October) of this fiscal year, Pakistan obtained new loans amounting to $2.3 billion and overwhelming majority of them are meant for filling the massive budget deficit gap and building foreign currency reserves.

The share of foreign commercial banks in total loans stood at 44% or $1.022 billion. China was the largest source that gave $917 million. Beijing gave $500 million as a commercial loan and another $417 million for project financing.

The Islamic Development Bank was the second largest contributor with $509 million.

The Asian Development Bank disbursed only $161 million for projects' financing in the first four months, which was about 14% official annual estimate of $1.2 billion. The World Bank released $154 million in July-October period – equal to 15% of the official annual estimates of $1.03 billion.

https://tribune.com.pk/story/1565845/2-pakistan-borrows-another-500m-china/

NEWS COVERAGE PERIOD FROM OCTOBER 30TH TO NOVEMBER 5 Th 2017

A TICKING ECONOMIC BOMB
Ihtashamul Haque

The Express Tribune, October 30, 2017

ISLAMABAD: With political uncertainty growing, a ticking economic bomb is refusing to get defused amid the widening twin deficits that have started causing new financial problems for the PML-N government.

The situation is turning serious as Finance Minister Ishaq Dar has been occupied with allegations of corruption for the past many weeks, ostensibly prompting Sindh Governor Mohammad Zubair to say few days ago that the ousted prime minister had been misled to an extent about the economy.

The simultaneous publication of two frightening reports each by the Asian Development Bank (ADB) and World Economic Forum (WEF) recently further cast doubts about the economy, which according to them, required major effort to avoid more problems in near future.

Part of the problem is said to be the government's inaction and the poor performance of the economic ministries whose bosses are busy in political firefighting rather than concentrating on their jobs.

The most challenging issue confronting the government, however, is the budget deficit – the mother of all economic ills, also known as fiscal deficit – has already risen to 5.8% of Gross Domestic Product (GDP) and is feared to go back to the same position of 2013 by the time the year 2017-18 ends. This means 8% (Rs2 trillion-plus). It has already reached Rs1,864 billion.

All the related consolidated federal and provincial budgetary figures of the last financial year reveal that there was 6.1% fiscal deficit, the highest in last four years of the PML-N government. How would the government avoid over 8% budget deficit during the current financial year is anybody's guess but the situation seems to be heading towards 1999 when the gap between income and expenditure turned incredibly high.

Finance Minister Ishaq Dar is often accused of manipulating figures to show reduced fiscal deficit as well as the total debt that according to the central bank rose to Rs22.2 trillion in 2016-17 compared to Rs14.8 trillion of 2013. The latest figure of the total debt stands at Rs25 trillion.

Interestingly, the budget deficit grew 5.8% of the GDP just in two months (July- August) this year against the prescribed limit of 4% kept by the hurriedly amended Fiscal Responsibility and Debt Limitation (FRDL) Act of 2005 through the money bill in the National Assembly. Intriguingly, it was not allowed to be debated in the house. But then MNAs also did not raise any objection which speaks volumes about their interest in the business of the house.

There is a clear violation of the FRDL Act and questions are being asked as to why the mandatory fiscal policy and debt policy statements were not announced by June 30 this year.

The budget deficit, which ended at 5.8% of GDP in 2016-17 in spite of the fact the government did not include Rs400 billion circular debt in it. Also, Rs250 billion sales tax refunds of the exporters continue to be withheld. If both were included in the final numbers, fiscal deficit would have further risen.

"I am indeed concerned over the rising budget deficit and this all is happening due to increasing financial indiscipline," said renowned economist and former finance minister Dr Hafiz Pasha.

He regretted that the National Assembly was told that budget deficit was 4.3 % in 2016-17 which was later shown as 5.8% in the revised estimates. "I do not know why do they lie so blatantly," he said, adding that growing budget deficit was fast turning unmanageable as the government continues to borrow recklessly and increasing its expenditures without realising its consequences.

He said the way FRDL act was flouted and then amended should be an eye-opener for everybody and must not go unnoticed.

The rising fiscal deficit coupled with huge debt burden, he pointed out, was widening the investment and savings gap, and causing new problems to the current account deficit.

"All is not well if the budget deficit touches 8% of GDP in 2017-18 and I do not know who would fix this problem that is fast tearing apart the entire current budget," Dr Pasha said.

Another former finance minister Dr Salman Shah was equally critical of the burgeoning fiscal deficit and blamed the Dar-led finance ministry which, he said, destroyed the whole financial discipline by grossly manipulating budget deficit numbers.

He expressed his indignation over large-scale manipulation of statistics and the altering definition of revenue and expenditure. "But still by doing that accounting gimmickry fiscal deficit remained over 6% last year and it is likely to end up close to 8% during 2017-18," Dr Shah said.

"When you remove the amount of circular debt from the budget and change the definition of other economic indicators, how could there be any hope for any correct assessment of the economy that has thoroughly been destroyed by the government and its finance minister," he alleged.

Many people believe that parliament should have held the government responsible for overspending and thus, increasing budget deficit to a current dangerous level. Revenue growth remained a major issue due to which budget deficit has become highly controversial.

The issue compounded when the government kept changing the definition of revenue, expenditure and fiscal deficit. The government did not disburse funds to the provinces under the NFC on time and asked them not to spend money with a view to show a lower fiscal deficit. Likewise, privatisation proceeds and foreign grants were treated as non-tax revenue instead of financing items only to show a lower budget deficit.

Going forward, the prime minister has to spend more time in finding out the solution of serious economic problems in the next few months, failing which collapsing of the economy cannot be stopped.

The writer is a winner of four national APNS awards and four international best journalistic awards

https://tribune.com.pk/story/1544770/2-ticking-economic-bomb/

December 2017

NEWS COVERAGE PERIOD FROM DECEMBER 25th TO DECEMBER 31st 2017

LCCI'S SUGGESTIONS FOR IMPROVING ECONOMY

Business Recorder, 27 December 2017

LAHORE: Logjam in economic progress and serious economic challenges have made the role of ministry of finance most important therefore the newly appointed State Minister of Finance Rana Afzal Khan needs to put in his best efforts to put the economy back on the track.

LCCI President Malik Tahir Javaid called for immediate measures to improve the economic indicators and socio-economic structure of the country. While giving some proposals, he said that consultation in policy making would bring economy out of mire therefore stakeholders must be taken on board on economic matters. He said that private sector should be facilitated and a plan should be evolved to improve declining exports.

He said in next two decades, over 28 million new jobs will be required. This target can easily be achieved by promoting power, mining, manufacturing, transportation and service industries. In agriculture, the focus should be on value addition chain that is expected to become more attractive for new jobs based in processed and semi processed agro-based industries like juices, ready to use meet, dairy and poultry items.

He was of the view that only direct taxes should be levied and indirect taxation should be removed. Income of agricultural produce that falls in the taxable income range must be taxed. The people with land occupancy of more than ten hectare should be taxed, if the land has been cropped. For the construction of new dams, he proposed the constitution of National Water Council (NWC).

The LCCI president said that amongst the alternate sources of energy biomass shows tremendous potential. The total capacity in biomass is 22,800 MW in Pakistan and a little technical training is required to make use of this resource. The Alternate Energy Board must concentrate on it to establish these units in villages, he suggested.

He said coal, hydropower and biomass will produce energy at a flat rate of less than Rs5 per unit for next twenty years, helping manufacturing industry to grow unabated with no taxation on inputs and availability of technically better quality workforce. Increased yield in cotton will support local textile industry to take leadership role in the market. He advised to the state to withdraw all profiteering and taxation from energy sector. Any new projects with public-private partnership should ensure that they work on no-profit-no-loss basis.

He said with more than 10 trillion dollars worth of natural resources Pakistan must concentrate for two decades on developing local technology for excavation of minerals such as copper, coal, iron, and gold.

https://epaper.brecorder.com/2017/12/27/13-page/690234-news.html

NEWS COVERAGE PERIOD FROM DECEMBER 18TH TO DECEMBER 24TH 2017
EU SINGLES OUT CHINA AS DISTORTED STATE-RUN ECONOMY
Business Recorder, 21 December 2017

BRUSSELS: The European Union introduced new rules on Wednesday to guard against excessively cheap imports and singled out China for special attention in a report spelling out how its economy is distorted by the state.

In a 465-page report, the European Commission concluded that Beijing exerts a decisive influence over the allocation of resources, such as land or capital, and influences prices of various factors of production “in a very significant manner”.

The report is significant because the EU has changed the way it handles anti-dumping cases.

After two years of debate on the subject, the EU has agreed that dumping means selling for export at below domestic prices for all World Trade Organization (WTO) members, of which China is one.

However, it will take a different approach for cases of “significant market distortions”, an exception expected to cover many Chinese firms, some already subject to import duties.

In such cases, it will use international benchmarks to calculate a fair price for a product.

The European Commission, which oversees trade policy in the 28-member EU, said reports it produces on industries or sectors are designed to guide EU producers who want to lodge complaints.

At the launch of the new rules on Wednesday, it had produced just one report – on China. However, it also said Russia could be next.

China last year launched a complaint at the WTO against Europe and the United States over their trade defence practices. . It has also demanded that they recognise its right to be considered a normal “market economy” at the end of 2016, some 15 years after it joined the WTO.

However, the Commission report released on Wednesday said China’s “socialist market economy” was something different.

It said the Chinese Communist Party sets and controls all aspects of the economic agenda, with banks as instruments to carry it out in a “rigid and distorted” financial system and preferential treatment of domestic companies enshrined.

Chinese businesses in targeted sectors receive land at very low prices or even for free, cheap energy, preferential access to capital, artificially low borrowing costs, with highly controlled raw material prices and limited workers’ rights.

Separate sections in the report on the steel, aluminium, chemicals and ceramic sectors detail state intervention, leading to overcapacity.

While China may have committed to curtailing overcapacity, the report says its industrial policy had led to the opposite, often with state-owned companies leading the charge.

The word “distortion” and “intervention” feature respectively 92 and 95 times in the report.—Reuters

https://epaper.brecorder.com/2017/12/21/1-page/688879-news.html

DESPITE GROWTH, ECONOMY STILL UNDER RISK, SAYS IPR
The Express Tribune, December 23rd, 2017.

Despite a revival of growth, Pakistan's economy is still facing some serious risks and vulnerabilities.

Economic growth has improved with the revival in manufacturing and agriculture, rapid increase in tax revenue has strengthened public finance, however, major foreign financing challenges remain, stated the Institute for Policy Reforms (IPR) in the review of the economy for the first quarter of 2017-18 on Friday.

At 4.4% of GDP, the current account deficit grew by 120% over the same quarter of last fiscal year and far exceeds the target set by the government. Foreign reserves have fallen despite hefty external borrowing. So far, the government has attributed the runaway current account deficit to growth-inducing machinery imports. Machinery imports, however, did not grow during the quarter. Import of power generation equipment fell by 17%.

The report asserts that Pakistan is dependent on external savings and the economy is exposed to continuous loan rollover and re-pricing risks. Recent correction in rupee value may reduce imports and the deficit. The central bank estimates foreign exchange financing gap of $12 billion in FY18 (later retracted). IPR says that the gap will be higher. Next year's foreign financing gap is a major economic risk.

Fiscal deficit also is higher than target. This has increased government's indebtedness, both domestic and external. These macroeconomic factors prevent sustained and long-term growth of the economy. They are the result of years of economic decision making that prioritises firefighting to solve immediate problems, but does not show resolve to deal with structural issues.

The problems point to an economic structure that does not allow the economy to substantially increase investment. It is the result of a political economy that favors the privileged at the expense of everyone else.

The report cautions against despondency though because that is the last thing the market needs today. It affirms that Pakistan has the potential to turn the economy around if all institutions show firm intent.

LSM grew by a healthy 8.4% during the first quarter primarily due to improved power supply, better security, low interest rates, low inflation, and past years' investments. Agriculture has recovered from higher fertiliser off-take, higher credit and mechanisation, and support price for wheat.

GDP growth will be higher than last year's 5.28%. An expansionary monetary policy coupled with largely steady exchange rate (despite 5% correction in December) and some agriculture and industrial revival have stimulated growth. Continuous growth in public sector investment and China-Pakistan Economic Corridor (CPEC) development projects also have given impetus.

https://tribune.com.pk/story/1590877/2-despite-growth-economy-still-risk-ipr/

NEWS COVERAGE PERIOD FROM DECEMBER 11th TO DECEMBER 17th 2017
CHALLENGES TO THE ECONOMY
Business Rcorder, 12 December 2017

The Senate Standing Committee on Commerce and Textile declared the proposed Free Trade Agreement (FTA) with Turkey as 'disastrous' in which national interest was clearly not protected. A similar conclusion has been drawn with respect to the other FTAs, including the one with China.

Additionally, Turkey has won some extremely lucrative contracts in Pakistan, including the Motorway, while Pakistan is a critical partner in the realization of Chinese President Xi Jinping's One Belt One Road initiative that encompasses a development strategy focusing on connectivity and cooperation.

Why, is the constant lament, given that these two countries are long-term friends of the country and not just fair weather friends, have successive Pakistani administrations failed to sign an FTA that is in our national interest? During the committee meeting, Commerce Joint Secretary argued that the proposed FTA favours Turkey because of the strong domestic Turkish textile lobby as well as the fact that countries make trade deals in their own national interest and do not undertake measures on the basis of friendships, however, deep and long they may be.

The committee was also informed that Dr Yousaf Junaid, Pakistan's Consul General in Istanbul, had urged the government to take up the FTA issue at the highest level failing which, he maintained, the issues would remain unresolved. One would assume that he was referring to the personal relations between the Turkish President Erdogan and the Sharif family, including both Nawaz Sharif and Shahbaz Sharif.

This is not appropriate for two reasons. First, because trade relations between countries as the Joint Secretary correctly pointed out are not premised on personal friendships or indeed sustained long-term country-to-country friendship (as in the case of China which has maintained good relations in spite of changes in administration) but on national interest.

And, secondly, and more importantly Pakistan's production base has not changed dramatically over time, and successive governments have continued to provide fiscal and monetary incentives to the productive sectors that, even 70 years down the line, have not enabled them to compete in the international market without favourable trade deals.

In addition, it is indeed unfortunate that Pakistan's exports, other than textiles, largely consist of surplus output, for example, sugar and rice exports rather than consisting of items that our trading partner may require and is importing from other nations.

Pakistan grapples with yet another problem that disables the country from increasing exports through favourable FTAs: senior appointments in our embassies abroad as well as in international agencies that unfortunately are not on merit but on nepotism/political influence.

In this context, it is relevant to note that the committee members inquired about the relevant qualifications and experience of the ambassador to the World Trade Organization Dr Syed Tauqir Hussain, who was the principal secretary to Punjab Chief Minister Shahbaz Sharif during the Model Town operation that claimed 14 lives injuring nearly 100, to which the Joint Secretary was unable to respond.

To conclude, there is an urgent need for the government to focus not only on developing a production base for which there is demand in the economies of our major trading partners but also to make senior government appointments, lucrative positions abroad, on the basis of qualifications and experience.

There is also a need to train a set of competent lawyers and pay them appropriately who would be able to review the deals while they are being negotiated and point out all lacunae at the drafting stage rather than for members of the cabinet/secretaries to conclude the deals and send the final draft to the Law Ministry for review.

https://epaper.brecorder.com/2017/12/04/16-page/685732-news.html

PAKISTAN'S DEBT TRAP IS REAL
The Express Tribune, December 4th, 2017.

Ihtashamul Haque

Looming political uncertainty, coupled with serious governance problem, is further aggravating the country's economic and financial difficulties.

It is worrying that the current account deficit is feared to go beyond $17 billion by June next year and $23 billion in 2019-20.

Two teams, each headed by the central bank governor and the finance secretary, recently visited Europe and the United States to hold roadshows and float Euro and Sukuk bonds with a view to arrest the deteriorating foreign exchange reserves.

Though Pakistan raised $2.5 billion, the amount is far less than what the country requires to avert a potential balance of payments crisis.

History, it appears, is about to repeat itself. Twin deficits are emerging with a vengeance, making a mockery of the rulers and bringing to the fore their sheer incompetence to deal with pressing financial and economic challenges.

Pakistan has been placed among four out of 10 countries that would default soon on repayment of external debt. Venezuela has already defaulted and the other three countries in line are: Pakistan, Egypt and Ecuador that was added in the potential list of defaulters.

"Time is running out and it is high time to act before nothing is left to fall back," warned renowned economist Dr Hafeez Pasha. There is no rocket science, he said, to understand that this time around business as usual would not help overcome serious emerging challenges.

"I can very well anticipate that our foreign exchange reserves could fall to $7.8 billion by the end of June 2018 and, as such, it would be insufficient even for just six weeks of import.

"Under these precarious circumstances, floating $1 to $2 billion Euro/Sukuk bonds would not be enough, therefore, I suggest taking urgent remedial measures including increasing exports to avoid a major financial disaster," the former finance and commerce minister said.

Who in the government does not know that pressure on the balance of payments has been rising and a weakening reserves position is making the job of economic planners difficult in ensuring timely loan repayments. Similarly, repayment obligations will swiftly grow on commercial debt besides the maturity of $2 billion Sukuk bonds during the same period. Repayment to the IMF will soon start as well.

Many people believe that if Pakistan does not mobilise $10 billion within the current financial year, it could face a default situation as is being anticipated by some international agencies including Bloomberg.

So far, the government has succeeded in obtaining loans, both short and long term from all internal and external sources to avoid default. Now when Bloomberg extensively talks about defaulting countries, international financial institutions (IFIs), foreign commercial banks and other private lending organisations would not be that generous to oblige Pakistan.

The problem has compounded as the United States, which enjoys over 70 percent voting rights in the World Bank and IMF, does not seem to be favouring Pakistan too much at the moment.

For PML-N, things became tougher as political uncertainty increased, especially after in the wake of Panama Papers. Since then, it has not been able to get time to address key economic challenges including that of the widening current account deficit.

Former finance minister Ishaq Dar, often accused of mismanaging the economy, found an easy way to resolving serious economic issues by borrowing from all sides which eventually resulted in the accumulation of unprecedented debt. This is in that backdrop that independent economists believe Pakistan is facing an imminent ‘debt trap’ and that bad time is ahead due to the inaction of the current government.

Who could imagine that current account deficit would increase by over $1 billion every month. It reached an unprecedented $12.4 billion last year despite the reduction of $5 billion in the annual import bill. Some officials do concede that failure in increasing exports, home remittances and foreign direct investment (FDI) particularly portfolio investment in stock market has created a serious balance of payment problem and that desperate efforts are needed to fix things.

There is a growing consensus among official and unofficial quarters that exports need to be given priority in terms of boosting weak foreign exchange reserves that also requires urgent readjustment of the Pakistani Rupee. Devaluation up to 10% could help increase 3% of exports, though the IMF is urging a 23% downward revision to achieve competitiveness.

Dar always resisted devaluation. He used to say that for a slight increase in exports, debt accumulation was a more serious issue and that stagnant exports should be enhanced through diversification and valued addition. The much trumpeted Rs170 billion package also did not yield results.

But then why is the government not releasing over Rs200 billion worth of sales tax refunds of exporters to ease their liquidity problem?

Going forward, a home-grown solution to the serious balance of payments crisis has to be found as chances of getting another bailout from the IMF seems to difficult.

The government must accord preference to exports and should initially start deducting tax against exporters' refunds, if it is still unwilling to make them payments.

Likewise, a 1.5 to 2% subsidy should be given to export surplus sugar and wheat. Home remittances, it is said, could be doubled provided some incentives are given to expatriates to send their funds through normal banking channels instead of having them sent through the Hundi and Hawala.

Similarly, all stakeholders should help remove political uncertainty that will certainly help attract FDI and portfolio investment.

All these factors combined can help Pakistan's economic position that, at the moment, does not look too good.

The writer is the recipient of four national APNS awards and four international best journalistic awards

https://tribune.com.pk/story/1575172/2-pakistans-debt-trap-real/

IMF NOTES IMPRESSIVE GROWTH
Dawn, December 10th, 2017

ISLAMABAD: A monitoring mission of the International Monetary Fund (IMF) on Saturday completed talks with economic managers of Pakistan on the country's performance post-IMF programme.

The three-year programme under the Extended Fund Facility (EFF) had been approved by the IMF executive board in September 2013, weeks after the first budget for 2013-14 of the Nawaz Sharif government.

According to the finance ministry, post-programme monitoring is an annual feature for countries graduating from an IMF programme whereby overall economic conditions of a member country that owes funds to the IMF are monitored and a report is presented to the executive board.

The last mission-level team of IMF had visited in late 2013, and the current visit took place after a gap of over three years, which reflected improved security conditions as well as the economic performance of the country and growing trust of the international community.

At the talks, Secretary Finance, Shahid Mahmood led the Pakistani team while the IMF team was led by Harald Finger.

The finance secretary informed the IMF mission that the government has set its eyes on achieving 6 per cent GDP growth which is inclusive, pro-poor and sustainable.

He also briefed the IMF team on the recent successful launch of sukuk and Euro bond. Discussions covered a host of areas including macro-economic situation, developments in energy, fiscal, financial, monetary and social sectors.

The finance secretary shared with the IMF delegation an overview of the national economy, stating that it was on track and key indicators were moving in a positive direction.

He mentioned that significant growth has been achieved in revenue generation during the current fiscal year, and said that Pakistan has achieved fiscal consolidation without compromising on expenditures on development and social protection.

The IMF mission appreciated Pakistan's efforts in maintaining macro-economic stability and noted impressive economic growth in Pakistan despite multiple challenges.

The mission held talks with Governor State Bank, Tariq Bajwa on Friday. Over the week, the mission also held meetings with senior officials of the ministries of commerce and railways, Pakistan Bureau of Statistics, Ogra and SECP. Besides, technical level talks were also held in the Planning Commission, FBR, BISP and Nepra.

https://www.dawn.com/news/1375582

$14.6TR WAS THE IMPACT OF VIOLENCE ON GLOBAL ECONOMY IN 2016
The Express Tribune, December 11th, 2017.

Global peace is the need of the hour. It has been estimated that more than 1.5 billion people live in countries that are affected by violent conflict and the gap between those countries which enjoy relative peace and those afflicted by conflict seems to be growing.

Conflicts and resulting violence have a deep-rooted impact at all levels of the society. Although the human cost of being affected by violence is immeasurable, reports suggest that the economic impact of violence on the global economy was measured to be $14.6 trillion in purchasing power parity terms in 2016. This colossal amount is equivalent to 12.6% of the world's GDP or $1,953 for every person.

Produced by the Institute for Economics and Peace, the Global Peace Index (GPI) is the world's leading measure of global peacefulness. The index ranks 163 independent states and territories using 23 qualitative and quantitative indicators, which fall in three broad domains; societal safety and security, ongoing domestic and international conflict and militarisation.

Globally, GPI index for 2017 has shown a slight improvement of 0.3% in global peace with the level of peace improving in 93 countries, while deteriorating in 68 others. Syria remains the least peaceful country in the world preceded by Afghanistan, Iraq, South Sudan and Yemen.

Out of a total 163 ranked countries, Pakistan stands at 152 in the GPI index. In terms of South Asian countries, Bhutan has been ranked as the most peaceful country whereas Pakistan appears at the bottom. This is particularly due to increasing number of deaths from external conflict due to persistent tensions between India and Pakistan on the unresolved dispute of Kashmir. Poor neighbourly relations have also led to increasing militarisation in the region.

Estimates show that the economic cost of violence in 2016 is $122,370 in purchasing power parity terms which is equivalent to 12.9% of GDP. In a hypothetical scenario where the country was enjoying a 'high-peace environment,' imagine the benefits that could be achieved had that amount of money been spent on an initiative that could improve overall societal welfare.

The report also mentions that Pakistan's poor global rankings on the peace front cannot just be attributed to external conflicts but ongoing domestic strife too. A recent example is that of the Faizabad protest where a group had the capacity to stall the country. This leads one to think as to what comprises peace? How does a society become peaceful?

The Institute for Economics and Peace has found that the factors which contribute towards societies having 'peaceful' environments are well-functioning government, low levels of corruption, acceptance of the rights of others and good relations with neighbours.

Drawing from personal experience during my PhD studies, I can vouch that the acceptance and tolerance of difference ideas be it religious, political, cultural or social is a crucial point that sets societies apart. The fundamental tenet of 'equality inclusion and diversity' is not only celebrated but an effort is made to enshrine in day to day activities.

Just like a diversified economic base is one of the key drivers of its vibrancy and growth, societies only progress and achieve greatness if they harness the talents of their human capital base irrespective of their religious, cultural, linguistic or ethnic background.

A well-functioning government, in which the rule of law is implemented across the board and where meritocracy is the only principle distinguishing one from another, is the need of the hour. As members of society, as parents and as teachers we must impart the fundamental lesson that in diversity is there beauty and in diversity is there strength.

https://tribune.com.pk/story/1580952/2-14-6tr-impact-violence-global-economy-2016/

CPEC COULD DEVELOP INTO PAKISTAN'S DEBT TRAP
The Express Tribune, December 11th, 2017.

The Pakistani economy is going through a 'Creative Destruction' of sorts. Firms without value addition, global market connectivity and innovation are dying a 'peaceful death' or re-locating. Unemployment level remains high. The official data are not credible. There is a lack of implementation machinery for facilitating Chinese private sector's MoUs, deals, contracts and agreements.

Only big ticket projects by state-owned enterprises are being monitored by officials. The Board of Investment (BoI) mandarins lack corporate capacity, knowledge of global best practices, legal and marketing professionalism and have only English-speaking and may be some drafting skills.

The private sector has failed to move beyond 'family businesses', better known by the acronym 'seth culture'. The private sector has entrenched domestic lobbies in the economy, while the public sector confronts institutional tussles and adopts a solo flight approach. The ruling political class lacks vision, integrity and leadership, with a culture of nepotism, favouritism, and cronyism in governance.

There is also a lack of collective leadership, consensus, compromise, co-existence and teamwork among the various state organs of power along with a lack of consistency in public policies. The small intellectual elite has been either sidelined or has chosen a 'monastic life' disgusted to see the affairs of the state, ever since the departure of the founding father Quaid-e Azam Muhammad Ali Jinnah and the first Prime Minister Shaheed Liaquat Ali Khan.

Pakistan needs to attract Chinese private sector investors by offering additional incentives. Their investment in small and medium enterprises by way of joint ventures will bring in 90% of the investment envisaged under industrial zones or SEZs of China Pakistan Economic Corridor (CPEC). The existing policies are inadequate with Pakistan unfortunately becoming a captive market for existing monopoly investors, who blackmail the government, and an import mafia which remains keen to import anything or everything, in cohort with the concerned state institutions that destroys domestic economic activity.

An indication of this is visible as to how Pakistan's 'Oil Bonanza Surplus' of $14 billion from 2013-2017 due to falling oil prices, was dissipated on increasing consumer goods imports which has sent the current account deficit to a historic high.

Pakistan's human resources with nearly two-thirds of the population below the age of 30 years are its greatest asset. Its strategic geographical location is also a great advantage, but not the only one. Social capital is yet another with the most resilient, passionate and determined population. Natural resource endowments are another plus with eleven minerals included in top ten of the world's reserves and an irrigation system which is the world's second largest.

Pakistan boasts of eight climatic zones, 14 vegetation zones and four topographic zones. The country is blessed with a natural solar belt and a wind corridor. Almost half of the country sits on Shale gas reserves, which can be exploited with the availability of affordable technology. The Makran coastline is richly endowed with 'Condensed Ice Gas hydrates'. Now the technology to harness it has become affordable and available, with the Chinese showing the way. The list can go on and on.

CPEC worth $62 billion is a flagship project of the Belt and Road Initiative. Besides energy, infrastructure, transport and Gwadar Port development, the most important component of CPEC is the development of the industrial zones, nine of which have been prioritised. These industrial zones also called special economic zones (SEZs) will house the thousands of Chinese industries and enterprises which are planning to relocate to Pakistan.

Since fiscal year 2013-2014, China's direct investment in Pakistan has been at the top among all the foreign countries, for three consecutive years. Chinese total investment in Pakistan has reached more than $5.4 billion, making it the largest investment destination in South Asia. The hype on the CPEC is justified as long as the necessary spade work on the various details of operational, technical, administrative, fiscal, security and institutional coordination aspects are addressed.

There is a great possibility for a quantum leap in Chinese investment with the relocation of Chinese industrial enterprises to the proposed 'Special Economic Zones' all along the routes of CPEC. The success of CPEC investments along with reforms will transform Pakistan's economy like never before.

Pakistanis are used to present others with surprises, whether on cricket grounds, battlefields or in geostrategic games, but the CPEC has surprised all Pakistanis. A lot of Pakistan's intellectual elite do not know frankly as to how to react. It is obvious that for a country which has been in 'Intensive Care Ward' of the international financial institutions (IFIs), struggling with a billion or two of FDI, to be offered the prospects of inflow of $62 billion (still evolving), is beyond imagination. Even more difficult to comprehend, is the fact that $20 billion of Early Harvest Power Projects are already nearing completion. It is apparent that Pakistan is fast catching up with the 'Chinese speed of growth'.

Not only China, but Russia, Central Asia, Afghanistan, Iran, Saudi Arabia, Europe and Africa are finding the CPEC as an 'economic bonanza' opening up 'new growth points' for wealth generation, in a recession-prone global economy. No wonder there is growing interest in CPEC.

However, for ensuring the full success of CPEC, there is need for adoption of an 'Enabling Policy of Comprehensive Reforms', in consultation with the private sector and 'Overseas Pakistanis' to ignite 'Chain Reaction' for Pakistan's industrial potential. In this respect, Pakistan could emulate the success of China in mobilising the overseas Chinese.

The comprehensive reforms could cover good governance, agriculture, industry, energy, taxation, SEZs, SMEs, civil service, electoral, land, labour, administrative structure, higher education, foreign trade, maritime, higher education, health, environment, social sector and community development, rural industrialisation, rural credit market and banking coverage.

The resultant consequences of inaction and lethargy to enact policy reforms have been a low rate of domestic savings, tax collection, FDI and low fixed capital investment, low factor productivity, poor innovation, low level of exports, poor innovation, backward vocational and technical skills level, widespread destruction of the cottage industry and decimation of the SMEs etc. Similarly, there is an urgent need for micro-level research in universities and think tanks, on the sector wise impact of CPEC on local industry (terms of trade), environment and society.

Pakistan also needs to strengthen the professional and institutional capacities of its private and public sectors in order to fully harness the openness of the Chinese market by promoting its exports, provide a level playing field to Chinese investments, promote interoperability with China's private sector, benefit from China's outgoing tourism boom by mutual relaxation of visas and develop the full potential of the border land route.

Those capacities will need to be created, which the 'Macaulay's system of education' has not allowed to be developed in the colonial slave societies. The most important of these is the capacity to think, research and innovate. There is also the need for revival of Pakistani social capital, our age old soft power values and work ethics to enhance the 'Total Factor Productivity', learning from Global Best Practices and success stories including China.

CPEC is a means to an end which ultimately is the economic take off of Pakistan. CPEC will become only 'supply side economics' without policy reforms, and will be unable to trigger the 'economic take off'. There is an absence of 'soft infrastructure', which increases the cost of doing business.

It is important that Pakistan's think tanks, research bodies and policy-making institutions begin in earnest, identifying, conceptualising and drafting a series of 'policy reform packages' in every sector of society and economy, for submission to the parliament for priority enactment and executive agencies for speedy implementation.

If it does not, without timely wide-ranging comprehensive policy reforms, CPEC could develop into a debt trap. Time is of essence to avoid subsequent anarchy and chaos which can mutate into a 'colour revolution' of sorts.

Precious time has been already lost. There exists now only a narrow time space between 2017-2020 to conceptualise, enact and implement the first phase of policy reforms, in order to realise the full potential of the economy. Those holding back reforms are in fact aiding Pakistan's return to the IMF with unpredictable consequences.

Once, China's Premier Zhou Enlai was asked about his views on the 'French Revolution'. He responded by saying that it was 'too early to comment'. Pakistan is among the best blessed and placed societies in the world. Pakistan only needs to develop a sound political system through wide-ranging electoral reforms, creating a filtering mechanism to ensure integrity, merit, rule of law and justice.

Pakistan has the potential to emulate China's success in less than two decades, if it can adopt wide-ranging policies and reforms under a collective leadership. The CPEC puts Pakistan at the 'epicentre' of a historic global transformation. Pakistan, however, needs a reformer, statesman and visionary like Deng Xiaoping, Lee Kuan Yew or Mahatir Mohammad, to make it happen. The 200 million people of Pakistan must have them.

The writer was Pakistan's Ambassador to Germany, Singapore and Mauritius. He spent a decade in China and is an author of several books. He is currently the Director of Chinese Studies Centre in National University of Science and Technology, Islamabad

https://tribune.com.pk/story/1580950/2-cpec-develop-pakistans-debt-trap/

ECONOMY STILL POISED FOR 5.6% GROWTH: IMF
The Express Tribune, December 14, 2017

Shahbaz Rana

Political uncertainty in Pakistan has not impacted the economy and despite difficult situation, the country is still poised to grow by 5.6% this year, said Harald Finger, the International Monetary Fund's Mission Chief to Pakistan on Thursday.

But Finger underlined that the government needs to immediately move to correct the situation on its external and fiscal fronts and added that its policy actions would decide whether Pakistan can manage without the IMF's financial support after June 2018.

"We have seen that political uncertainty that Pakistan has experienced for the last few months has decoupled from economic developments," said Finger while responding to a question whether former prime minister Nawaz Sharif's disqualification impacted the economy.

He said Pakistan's economic growth this year would strengthen to 5.6% from 5.3% during the last fiscal year. "But things will depend how the political and security situation evolves in the coming months," said Finger while talking to the media at the conclusion of the Post-Programme Monitoring talks.

At the conclusion of the ten-day talks, the IMF stressed that Pakistan needs to undertake strong reforms efforts to maintain external stability, ensure debt sustainability and support higher economic growth in the medium term.

It cautioned Islamabad about "careful phasing in of new external liabilities to contain external stability risks" – in a veiled reference to CPEC-related repayment obligations.

The IMF mission chief's statement about no implications of political uncertainty on the economy belies former PM Sharif's claims that his ouster from power stopped the march towards economic growth.

"There is too much focus on political instability in Pakistan … and even if you have political difficulties nothing prevents from doing the homework that would enable faster implementation of structural reforms once political difficulties are resolved," said Tokhir Mirzoev, the IMF's Resident Representative in Islamabad.

Finger said in the coming months, Pakistan should focus on strengthening economic resilience by tightening fiscal deficit and also make sure that losses to international reserves are addressed.

He said there was also need to ensure that the right policies were in place for higher private investment, exports and jobs creation.

"The most important question should be what the government needs to do in terms of economic reforms. Whether they do it with or without the IMF programme," said Tokhir Mirzoev on a question whether Pakistan has requested another programme.

Finger said a key challenge for Pakistan's economy will be managing through the political situation in the midterm and during this time focusing on stability issues –be it on the external side, declining reserves and containing fiscal deficit.

To a question whether Pakistan can manage without the IMF after June 2018, Finger said: "Certainly, it's a difficult period for Pakistan at the moment and the success will depend on implementation of policies that are now put in place — including on the exchange rate side and efforts to contain the fiscal deficit,"

He said in addition external developments that were not in the control of the government would be a key to see where the country could manage without the IMF in July 2018.

Independent economists and a former secretary finance have recently predicted that Pakistan may need another IMF programme due to a precarious situation of the foreign currency reserves.

Despite borrowing $2.5 billion from international debt markets, the SBP's official gross foreign currency reserves stood at $14.7 billion. Excluding its obligations, the net official reserves are below $5 billion, showed the official data of the Ministry of Finance and the SBP.

Finger said the IMF sees continuous pressures on the external side and foreign currency reserves. He said the decision by the SBP to allow adjustment of the exchange rate in past three days is welcomed.

“The decision to allow exchange rate depreciation was taken by the SBP and it is in line with the IMF’s recommendations,” said Finger while responding to a question whether the IMF dictated the depreciation.

The mission chief said depreciation of the rupee was a good, first step towards addressing Pakistan’s external sector problems.

“The focus should now be on putting in place policies to address external and fiscal imbalances and to ensure that the economy is on strong footing so that Pakistan does not require another IMF programme,” said Finger.

The official sais that maintaining the positive economic growth trend will require strengthening the economy’s resilience with greater exchange rate flexibility, fiscal discipline and an adequately tight monetary policy stance.

According to a hand-out that the IMF issued after the talks, the fund stressed that Pakistan needed strong reforms’ efforts to pursue medium-term fiscal consolidation, strengthen the monetary policy framework and careful phasing in of new external liabilities to contain external stability risks.

It also underlined that there was a need to eliminate losses in public sector enterprises and a decisive action to address the chronic issue of the power sector circular debt.

https://tribune.com.pk/story/1584229/1-economy-still-poised-5-6-growth-imf/

INSTITUTIONAL DEVELOPMENT REGULATORS AND PAKISTAN’S ECONOMY
Business Recorder, 16 December, 2017

Syed Shabbar Zaidi

Invariably, all discussions on politics and economy of Pakistan end up with the conclusion that our ‘institutions’ are weak or there has been no institutional development in the last 70 years. This statement appears to be correct. The objective of this article is to identify the evolution of ‘institutions’ especially those related to economic affairs in the modern market based society.

There has been a changed role of state than what we used to conceive in the past. In order to focus on the economy and business, this discussion is limited to the institutions directly related to economic affairs only. In the following paragraphs, an attempt has been made to discuss the concept and relevance of ‘Regulators’ with reference to institutional development.

What is a ‘Regulator’? Why regulators are essential in a modern state? Many such questions are to be answered. Detailed discussions on the role of regulators are available in international literature that are also available on internet, however, this is not the subject of this article.

This article has been written with a completely different dimension. In the author’s view, there are particular and unique structural, political, social and bureaucratic features encompassing Pakistan as a state and society that needs to be fully taken into account to understand the effective role, if any, of regulators in the country and to summarize the subject of institutional development.

After almost thirty years of experience in the field of finance and its related subjects, I believe that one of the major problems facing this society is the role, nature, competence and relevance of 'regulators' in our society, especially after the economic reforms in 1990. We continuously harp on the issue of corruption, which we all agree cannot be reduced without institutional development.

An effective regulator is the necessary ingredient in a market based economy. We, as a state, are in a fix. We want market economy without corruption, however, as a society, we do not endevaour to establish and assist in establishing efficient and empowered regulators.

'Market economy' that gained unfettered supremacy after the fall of Soviet Union in the 1990s promoted the role of 'Regulators' for all sectors and segments of the society. This is in addition to existing system of ministries within the executive. It is an evolution, not an accident. The role of regulators is especially relevant in developing countries, like Pakistan, on account of weak political system, nepotism in selection and promotion in bureaucracy, colonial legacies of vested interest groups, etc.

Regulators in the form of State Bank of Pakistan [SBP] have existed for over 70 years, however, their role and autonomy has transformed completely after 'privatization' of banks and independence of the SBP Board under the revised legislation. The issue of distinction between the ministries (executive) and regulators emerged in fully-grown form in the 1990s. What is this subject and what is its particular reference in Pakistan is the content of this article.

The relevant regulators in economic sense in Pakistan are listed as under:
The aforesaid list includes only 'nine' (9) regulatory bodies. There are others as well. Nevertheless, if we examine the day to day affairs of common business persons then it transpires that the aforementioned nine institutions are the ones which encompass almost all relevant commercial and business spheres.

Politics and political development in Pakistan may not remain so important if there is trust on the efficacy and efficiency of the aforesaid institutions. The US society remains stable regardless of whether Donald Trump or Barrack Obama is the President's office.

Why that does not happen in Pakistan. In every developed society, institutions remain relevant and personalities do not overpower them. This is what is called 'trust' on the system. There is a distinction between institutional operations and political developments.

In our country, everything revolves around personalities. The purpose of this article is to identify the process through which we can get out of this trap. This is an essential requirement for sustainable change.

Every businessperson directly or indirectly deals with the aforesaid regulators. There is constant and genuine complaint about corruption, inefficiency and lack of competence in the spheres dealt by some of these regulators.

However, in that discourse we forget the basic question whether or not we have created effective 'regulators' in real sense, which every market economy requires or are they merely new names for the functions which were previously done, may be in a better way, by ministries? This important issue is often ignored whilst discussing the evolution of the next stage of market economy.

Why do we need regulators in additions to ministries?

In Pakistan, except for SBP, almost all the 'regulators' evolved in post 1990 era. This era was the zenith of market economy and privatization in the world with Margaret Thatcher and Ronald Reagan in power in the western society. We diligently follow their footsteps.

In my view, that was a right approach as market economy has its own essential requirements. Previously, we had regulators with a different role such as 'Monopoly Control Authority', 'Controller of Capital Issues', 'Controller of Insurance', etc. In my view, such authorities were 'controllers' not 'regulators'. Their role was to control not to facilitate.

For a common man, the first question is need for a separate authority in the form of a 'regulator' when the same functions in the past were being done by the ministries. For example, Ministry of Petroleum was doing, in addition to its other functions, what is now being done by Ogra.

So why do we need Ogra? This is a very relevant question. On the basis of international literature, even if we conclude that there is a need for a regulator in the form of Ogra, the second and subsequent question, especially with reference to Pakistan, is whether any difference that has emerged for the common man or state in general on account of the creation of an additional national body by the name of Ogra.

The author personally agrees with the idea of 'regulators' in every relevant sector and segment of economy and the rationale for the same will be dealt in the following paragraphs, however, our domestic shortcomings on the matter need to be corrected, otherwise the said process will not be anything more than an additional layer of bureaucracy.
There are three principle players in every state in the economic and related fields. Primary role and responsibility lies with the 'legislature' to frame economic policies for the welfare of state and its people. That role cannot be deprived or abdicated in any manner.

All experiments other than 'common franchise' will ultimately fail. Lack of political involvement in the economic policies is one of the reasons of present state of affairs of economy. Legislature achieves its desires by the executive. We call them ministries. What is 'executive' or 'government' in legal sense has recently been enunciated by the Supreme Court in 'Mustafa Impex' case.

Primary economic policies are to be made by the executive and they become implementable if they get the consent of the legislature. Ministries and divisions are not there to make policies but to assist the political forces in framing policies and its execution.

However, in practice, if we see the ground realities in Pakistan we realize that legislature and political forces, primarily due to their own faults and shortcomings, have abdicated the role of making economic policies. That role has been adopted, by default, bythe ministries led by bureaucracy.

This is a wrong approach. Nevertheless, in essence, this is a political debate and not the purpose of discussion here. This article deals only with the relevance and role of regulators in market based economy. The purpose of regulator in between the legislature, government and ministries is the subject matter here. This analogy needs to be read with the following features that has led to the development of the concept of regulators in addition to relevant ministries:

(i) Specialization: In this age of specialization, there is a need for special ‘technical’ knowledge that cannot be expected from executives hired on generalized basis. For example, there is a need for highly qualified technical persons to understand the intricacies of telecommunication sector. That resource can only be available in a ‘regulator’ and the same is not expected in regular executive cadre. This is true in case of almost all regulators. This, however, does not mean that an executive, if properly trained, cannot contribute as a part of regulator;

(ii) Continuity: Continuity of ‘tenure’ and consistency can only be made possible in a time-bound employment on a particular job for a certain period. This can only be possible in a regulators such as time bound tenure for Governor SBP, Chairman Nepra, etc.;

(iii) Financial autonomy: Financial autonomy is another factor that is generally not conceived properly in our society. Regulators are generally empowered to deal with market participants in the manner that their financial needs are fulfilled without any support from the national exchequer.

Unlike the regular system, surcharges and payments for non-compliance by the regulators are market based that provide adequate resources for the regulator to conduct their function without government support and hassles of budgetary constraints. This improves the independence of the regulators;

(iv) Interaction with public: There is an inherent possibility in case of regulators, unlike ministries, for public interactions. This can be done by way of ‘public hearings’, complaint redress mechanism, etc.

(v) Location near the market: Unlike the government and the ministries, regulators can have their location and principal seat in other than in the political capital of the country. SBP is in Karachi. Reserve Bank of India is in Mumbai. Securities & Exchange Commission of USA is based in New York not Washington. There is need for change of paradigm on this matter in Pakistan. It is an administrative common sense matter not a political issue;

(vi) Lack of conflict of interest: Regulators are essential part of the state, however, inherently their powers emanate from legislations other than those dealing with the operational matters. In that sense, there is generally no conflict of interest between the objective and action of the regulators and executive.

An independent Monetary Policy Board of SBP is expected to decide any matter placed before it in a manner better than Ministry of Finance, say the discount rate. Incomplete execution of this basic principle is the primary problem in the case of Federal Board of Revenue where ‘policy’, ‘regulation’ and ‘execution’ all rests with one authority having direct conflict of interest, being collection of taxes in rupee terms. We are putting undue pressure on persons and institutions that is hampering their working capabilities;

(vii) Human resource development: A regulator is expected to develop human resources with special training to undertake its functions better than a general system designed in governments.

(viii) Non-dominant market: Evolution of regulators is the next stage of non-dominant markets. It is the second stage of privatization. One of the primary problems being faced by Pakistani regulators and many other developing countries is the dominant presence of ‘government owned’ business entities in the market. Here, executive is also a player.

This directly, indirectly and inherently affects the role of regulators. Dominant role of PSO and OGDCL may affect Ogra, government-controlled generation, transmission and distribution of electricity throughout Pakistan except Karachi may be a handicap in ascertaining comparatives for a privately owned entity by Nepra. PIAC is burden for CAA. These are practical problems, not related to a particular case.

These eight ingredients of regulators can change the whole paradigm of the institutional efficacy and efficiency in the market based economy. Regulators in essence are professional/technical support and advice to the executive that may not be otherwise available in ordinary executive structure.

Do we in Pakistan really accept this fundamental change or the need for that change? The second question is whether we have empowered our regulators in that sense? Whenever we discuss the roles of civil versus military rule in Pakistan, we deal with personalities without fully appreciating the fact that state 1990 onwards is not what it used to be in 1950.

The fundamental issue, in the economic sphere, at least to the extent of administration, is acceptance of the role of regulators and the space and place to be given to them for operation. Let us admit that results in our case are not admirable.

In Pakistan, it appears that there is lack of awareness in differentiating the roles of ‘ministries’ and ‘regulators’ and the role an empowered regulator can play in reducing corruption. People at large cannot be blamed for that as it is a comparatively new experience.

Based on our ground realities, it has to be accepted that, in practical sense, it becomes very difficult for the persons being regulators to resist the political pressure due to defects and legacies of our political culture. Nevertheless, on overall basis there is an improvement. Such firewall, or social strength, can only be provided by a strong civil society. This is the test and the sign of a strong and civilized society.

Another problem that is generally faced in Pakistan is the extent of the roles of regulators and the ministries. There is apparent overlapping in certain cases. An example is Securities & Exchange Commission of Pakistan. It is a very efficient regulator. However, incorporation of a company and its operational administrative matters such as filings of documents, etc., are not the role of corporate regulator. It is a ministerial/executive job. In the UK, the same is done by ‘Company House’. In India, it is done by Ministry of Company Affairs, etc. Same is the case with USA. What we need is ‘streamlining’ the role of the regulators whereby they are separated from the functions required to be undertaken by the executive. A lean and efficient regulator is better than unwieldy bureaucracy.

Location of the regulator away from the market place is another problem in Pakistan. Stock Exchange exists in Karachi. However, unlike India, USA and any other country, the primary regulator is placed in a city different from the market. In fact, the whole concept of regulator has been designed to get the market based economy nearer and closer to its regulators. This is common sense not a political issue. Market cannot move. Regulators can.

Other than the issues discussed above, the foremost problem in our country is the nomination and selection process for the persons in regulatory bodies and regulators. There is no ideal system. However, in every modern society, there is a concept of an effective ‘Nomination Committee’ and the process of ‘Public Hearing’ before the public representatives. Such appointments are not made on the desires/discretion of head of executive though he/she remains the focal person in the whole process. This brings in transparency and trust in the minds of people.

In summary, the purpose of the aforesaid brief deliberations is to identify that there is gradual development and evolution in every society. When we have rightly decided to move towards market based economy then we should also appreciate that the same can only be achieved by efficient and independent regulators.

We in 2017 are poised for a changed political, social and economic environment. However, it is necessary to appreciate if the same will be a change in personalities only, in that case we will move around in circles and would remain under same trap. There is a need for a new prism to visualize the issues this state is facing. All the issues, can gradually be resolved, however, there is need for prioritization.

https://epaper.brecorder.com/2017/12/16/18-page/688075-news.html

CHINA DOMINATES PAKISTAN’S FDI FIGURES, NORWAY PULLS OUT
The Express Tribune, December 16th, 2017.

China, a country that started pouring in Foreign Direct Investment (FDI) in Pakistan under the China-Pakistan Economic Corridor (CPEC) from 2015, is now completely dominating foreign sources of FDI in Pakistan.

Pakistan received net FDI worth $207 million in November 2017 out of which $206 million came from China, according to data released by the State Bank of Pakistan (SBP) on Friday.

Other countries did bring in FDI in the country in November 2017, but net results were all in all a Chinese show as Norway pulled out a significant $75 million in November 2017.

Other countries that made significant investments in November 2017 were US ($16 million), Luxemburg ($13 million), France ($10 million) and Singapore ($7.4 million).

Total FDI in the first five months of fiscal year 2017-18 touched $1.146 billion, up 57% compared with $729 million in the same period of the preceding year.

In July-November FY2017-18, Chinese investments in Pakistan jumped to $837 million, up 286% compared with $217 million in the corresponding period of previous year.

The second highest FDI came from Malaysia, which amounted to $113 million in the first five months, up 927% compared with just $11 million in the corresponding period of previous year.

France stood at third position with investment flow of $48 million and the US at fourth with $43 million. Hungary brought $33 million, the Netherlands brought $32 million and the UAE injected $26 million.

The power sector received the highest FDI in November 2017 as the country got $117 million for the sector while the construction received $94 million.

So far, in the first five months of FY2017-18, the power sector led the FDI inflow, which stood at $539 million. Analysts believe this is happening due to investments going into mega power projects under the CPEC.

Overall, the construction sector came at the second place as it received $271 million in the first five months of FY2017-18. Other notable sectors were financial business ($75 million), oil and gas exploration ($74 million) and trade ($57 million).

Analysts say while Chinese investment is crucial, other countries including the US and western European countries have been increasingly shying away since the financial crisis of 2008, which should be a cause for concern for policymakers of the country.

Pakistan received $2.41 billion in FDI in the fiscal year ended June 30, 2017, up 5% from $2.3 billion in the previous year. It got $5.4 billion in 2007-08, which was the highest inflow in the country's history, according to the Board of Investment.

However, the country has been recording low levels of foreign investment since 2008. Many foreign investors, especially from western countries, have pulled out due to persistent energy crisis, poor governance and security challenges.

https://tribune.com.pk/story/1585334/2-china-dominates-pakistans-fdi-figures-norway-pulls/

NEWS COVERAGE PERIOD FROM DECEMBER 4th TO DECEMBER 10th 2017
CHALLENGES TO THE ECONOMY
Business Rcorder, 12 December 2017

The Senate Standing Committee on Commerce and Textile declared the proposed Free Trade Agreement (FTA) with Turkey as 'disastrous' in which national interest was clearly not protected. A similar conclusion has been drawn with respect to the other FTAs, including the one with China. Additionally, Turkey has won some extremely lucrative contracts in Pakistan, including the Motorway, while Pakistan is a critical partner in the realization of Chinese President Xi Jinping's One Belt One Road initiative that encompasses a development strategy focusing on connectivity and cooperation.

Why, is the constant lament, given that these two countries are long-term friends of the country and not just fair weather friends, have successive Pakistani administrations failed to sign an FTA that is in our national interest? During the committee meeting, Commerce Joint Secretary argued that the proposed FTA favours Turkey because of the strong domestic Turkish textile lobby as well as the fact that countries make trade deals in their own national interest and do not undertake measures on the basis of friendships, however, deep and long they may be.

The committee was also informed that Dr Yousaf Junaid, Pakistan's Consul General in Istanbul, had urged the government to take up the FTA issue at the highest level failing which, he maintained, the issues would remain unresolved. One would assume that he was referring to the personal relations between the Turkish President Erdogan and the Sharif family, including both Nawaz Sharif and Shahbaz Sharif.

This is not appropriate for two reasons. First, because trade relations between countries as the Joint Secretary correctly pointed out are not premised on personal friendships or indeed sustained long-term country-to-country friendship (as in the case of China which has maintained good relations in spite of changes in administration) but on national interest.

And, secondly, and more importantly Pakistan's production base has not changed dramatically over time, and successive governments have continued to provide fiscal and monetary incentives to the productive sectors that, even 70 years down the line, have not enabled them to compete in the international market without favourable trade deals. In addition, it is indeed unfortunate that Pakistan's exports, other than textiles, largely consist of surplus output, for example, sugar and rice exports rather than consisting of items that our trading partner may require and is importing from other nations.

Pakistan grapples with yet another problem that disables the country from increasing exports through favourable FTAs: senior appointments in our embassies abroad as well as in international agencies that unfortunately are not on merit but on nepotism/political influence. In this context, it is relevant to note that the committee members inquired about the relevant qualifications and experience of the ambassador to the World Trade Organization Dr Syed Tauqir Hussain, who was the principal secretary to Punjab Chief Minister Shahbaz Sharif during the Model Town operation that claimed 14 lives injuring nearly 100, to which the Joint Secretary was unable to respond.

To conclude, there is an urgent need for the government to focus not only on developing a production base for which there is demand in the economies of our major trading partners but also to make senior government appointments, lucrative positions abroad, on the basis of qualifications and experience. There is also a need to train a set of competent lawyers and pay them appropriately who would be able to review the deals while they are being negotiated and point out all lacunae at the drafting stage rather than for members of the cabinet/secretaries to conclude the deals and send the final draft to the Law Ministry for review.

https://epaper.brecorder.com/2017/12/04/16-page/685732-news.html

PAKISTAN'S DEBT TRAP IS REAL
The Express Tribune, December 4th, 2017.

Ihtashamul Haque

ISLAMABAD: Looming political uncertainty, coupled with serious governance problem, is further aggravating the country's economic and financial difficulties.

It is worrying that the current account deficit is feared to go beyond $17 billion by June next year and $23 billion in 2019-20.

Two teams, each headed by the central bank governor and the finance secretary, recently visited Europe and the United States to hold roadshows and float Euro and Sukuk bonds with a view to arrest the deteriorating foreign exchange reserves.

Though Pakistan raised $2.5 billion, the amount is far less than what the country requires to avert a potential balance of payments crisis.

History, it appears, is about to repeat itself. Twin deficits are emerging with a vengeance, making a mockery of the rulers and bringing to the fore their sheer incompetence to deal with pressing financial and economic challenges.

Pakistan has been placed among four out of 10 countries that would default soon on repayment of external debt. Venezuela has already defaulted and the other three countries in line are: Pakistan, Egypt and Ecuador that was added in the potential list of defaulters.

“Time is running out and it is high time to act before nothing is left to fall back,” warned renowned economist Dr Hafeez Pasha. There is no rocket science, he said, to understand that this time around business as usual would not help overcome serious emerging challenges.

“I can very well anticipate that our foreign exchange reserves could fall to $7.8 billion by the end of June 2018 and, as such, it would be insufficient even for just six weeks of import.

“Under these precarious circumstances, floating $1 to $2 billion Euro/Sukuk bonds would not be enough, therefore, I suggest taking urgent remedial measures including increasing exports to avoid a major financial disaster,” the former finance and commerce minister said.

Who in the government does not know that pressure on the balance of payments has been rising and a weakening reserves position is making the job of economic planners difficult in ensuring timely loan repayments. Similarly, repayment obligations will swiftly grow on commercial debt besides the maturity of $2 billion Sukuk bonds during the same period. Repayment to the IMF will soon start as well.

Many people believe that if Pakistan does not mobilise $10 billion within the current financial year, it could face a default situation as is being anticipated by some international agencies including Bloomberg.

So far, the government has succeeded in obtaining loans, both short and long term from all internal and external sources to avoid default. Now when Bloomberg extensively talks about defaulting countries, international financial institutions (IFIs), foreign commercial banks and other private lending organisations would not be that generous to oblige Pakistan.

The problem has compounded as the United States, which enjoys over 70 percent voting rights in the World Bank and IMF, does not seem to be favouring Pakistan too much at the moment.

For PML-N, things became tougher as political uncertainty increased, especially after in the wake of Panama Papers. Since then, it has not been able to get time to address key economic challenges including that of the widening current account deficit.

Former finance minister Ishaq Dar, often accused of mismanaging the economy, found an easy way to resolving serious economic issues by borrowing from all sides which eventually resulted in the accumulation of unprecedented debt. This is in that backdrop that independent economists believe Pakistan is facing an imminent 'debt trap' and that bad time is ahead due to the inaction of the current government.

Who could imagine that current account deficit would increase by over $1 billion every month. It reached an unprecedented $12.4 billion last year despite the reduction of $5 billion in the annual import bill. Some officials do concede that failure in increasing exports, home remittances and foreign direct investment (FDI) particularly portfolio investment in stock market has created a serious balance of payment problem and that desperate efforts are needed to fix things.

There is a growing consensus among official and unofficial quarters that exports need to be given priority in terms of boosting weak foreign exchange reserves that also requires urgent readjustment of the Pakistani Rupee. Devaluation up to 10% could help increase 3% of exports, though the IMF is urging a 23% downward revision to achieve competitiveness.

Dar always resisted devaluation. He used to say that for a slight increase in exports, debt accumulation was a more serious issue and that stagnant exports should be enhanced through diversification and valued addition. The much trumpeted Rs170 billion package also did not yield results.

But then why is the government not releasing over Rs200 billion worth of sales tax refunds of exporters to ease their liquidity problem?

Going forward, a home-grown solution to the serious balance of payments crisis has to be found as chances of getting another bailout from the IMF seems to difficult.

The government must accord preference to exports and should initially start deducting tax against exporters' refunds, if it is still unwilling to make them payments.

Likewise, a 1.5 to 2% subsidy should be given to export surplus sugar and wheat. Home remittances, it is said, could be doubled provided some incentives are given to expatriates to send their funds through normal banking channels instead of having them sent through the Hundi and Hawala.

Similarly, all stakeholders should help remove political uncertainty that will certainly help attract FDI and portfolio investment.

All these factors combined can help Pakistan's economic position that, at the moment, does not look too good.

The writer is the recipient of four national APNS awards and four international best journalistic awards

https://tribune.com.pk/story/1575172/2-pakistans-debt-trap-real/

IMF NOTES IMPRESSIVE GROWTH
Dawn, December 10th, 2017

ISLAMABAD: A monitoring mission of the International Monetary Fund (IMF) on Saturday completed talks with economic managers of Pakistan on the country's performance post-IMF programme.

The three-year programme under the Extended Fund Facility (EFF) had been approved by the IMF executive board in September 2013, weeks after the first budget for 2013-14 of the Nawaz Sharif government.

According to the finance ministry, post-programme monitoring is an annual feature for countries graduating from an IMF programme whereby overall economic conditions of a member country that owes funds to the IMF are monitored and a report is presented to the executive board.

The last mission-level team of IMF had visited in late 2013, and the current visit took place after a gap of over three years, which reflected improved security conditions as well as the economic performance of the country and growing trust of the international community.

At the talks, Secretary Finance, Shahid Mahmood led the Pakistani team while the IMF team was led by Harald Finger.

The finance secretary informed the IMF mission that the government has set its eyes on achieving 6 per cent GDP growth which is inclusive, pro-poor and sustainable.

He also briefed the IMF team on the recent successful launch of sukuk and Euro bond. Discussions covered a host of areas including macro-economic situation, developments in energy, fiscal, financial, monetary and social sectors.

The finance secretary shared with the IMF delegation an overview of the national economy, stating that it was on track and key indicators were moving in a positive direction.

He mentioned that significant growth has been achieved in revenue generation during the current fiscal year, and said that Pakistan has achieved fiscal consolidation without compromising on expenditures on development and social protection.

The IMF mission appreciated Pakistan's efforts in maintaining macro-economic stability and noted impressive economic growth in Pakistan despite multiple challenges.

The mission held talks with Governor State Bank, Tariq Bajwa on Friday. Over the week, the mission also held meetings with senior officials of the ministries of commerce and railways, Pakistan Bureau of Statistics, Ogra and SECP. Besides, technical level talks were also held in the Planning Commission, FBR, BISP and Nepra.

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