

Pakistan Institute of Public Finance Accountants

(Established under Section 42 of the Companies Ordinance, 1984)

Constituted by: **ICAP, ICMAP, AGP**

Identification, development and imparting knowledge to provide a structure for the training of accounting professionals in the specialist areas



Newsletter

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Financial Sector

Introduction of Basic Banking Account Ref: BPD Circular No. 30: In order to facilitate and provide basic banking facilities to the low income people in Pakistan, it has been decided that all commercial banks operating in Pakistan will introduce Basic Banking Accounts (BBA) facility with the following features:-

- The minimum initial deposit will be Rs 1000.
 - Will be non-remunerative account.
 - No limit on minimum balance. In cases, where balance in BBA remains 'nil' for a continuous six-month period, such accounts will be closed.
 - No fee for maintaining BBA.
 - Maximum two deposit transactions and two chequing withdrawals are allowed, free of charge, through cash/clearing per month.
 - Unlimited, free of charge, ATM withdrawals from the banks' own ATMs. In case of withdrawal from BBA through the ATM machines of other banks, the respective/other bank may recover charges for such transactions.
 - For the existing banking accounts, banks may get the consent of all their customers whether they wish to maintain a BBA with them or a regular full service banking account with its accompanying terms and conditions. In case an account holder does not give his/her consent for a BBA, his/her account will be treated as a regular full service banking account.
 - Statement of account will be issued once in a year.
2. The above features represent the minimum set of services which the banks shall provide to their BBA customers. The banks are, however, free to add more services, if they wish. The banks are also free to charge, as per their existing policy, for any service/transaction over and above the minimum set of services of a BBA, if they wish.
3. All the banks are advised to introduce and publicize the above facility and report compliance to SBP latest by February 28, 2006. Any violation of the above instructions shall invoke penal provisions under Banking Companies Ordinance, 1962.
4. The above instructions will be applicable on Basic Banking Accounts (BBA) only.

Real Time Gross Settlement (RTGS) System: The Governor informed the meeting that the technical work on Real Time Gross Settlement (RTGS) System was advancing steadily. It needs to be accelerated, she added. The trial run of the system would commence by the middle of this year. She informed the PBA that SBP plans to hold a comprehensive briefing for CEOs and the relevant RTGS Coordinators on RTGS. Both SBP and the financial industry need to prepare themselves adequately for eventual adoption of RTGS.

State Bank establishes Task Force for promoting Research and Development in Islamic Banking: The Governor, State Bank of Pakistan, Dr. Shamshad Akhtar presided over a meeting of the Shariah Advisors of present and up-coming Islamic Banking Institutions at SBP, Karachi.

Speaking on the occasion, she reiterated the State Bank's commitment to promote Islamic banking in its true letter and spirit and appreciated the role of Shariah Advisors in providing right and balanced guidance to the industry. She said that in order to fully realize the potential of Islamic banking in Pakistan, which is at a primary stage at present, the financial needs of urban as well as rural areas should be met in a Shariah compliant manner. There is a need of raising the level of awareness about the concepts and practices of Islamic banking, the Governor added.

The Shariah Advisors of Islamic banking institutions appreciated the role of State Bank in promotion of this industry. They said that we need to focus on providing adequate educational and training facilities in Islamic banking and development of Islamic interbank market. In order to promote research and development as well as training and academic curricula for different levels of education, a Task Force comprising the Shariah advisors of banks has been set up in the State Bank.

The meeting, hosted by Director Islamic Banking Department, Mr. Pervez Said, was attended by the Shariah Advisors of 17 present and upcoming Islamic banking institutions.

Pakistan Receives Over \$2.446 Billion as Workers' Remittances During the First Seven Months of the Current Fiscal Year: Pakistan received an amount of \$2,446.52 million as workers' remittances during the first seven months of the current fiscal year (July 2005 January, 2006) as against \$2,267.52 million received in the corresponding period of the last fiscal year registering an increase of \$179.0 million or 7.89 per cent. The amount of \$2,446.52 million includes \$10.44 million received through encashment and profit earned on Foreign Exchange Bearer Certificates (FEBCs) and Foreign Currency Bearer Certificates (FCBCs).

Pakistani workers remitted \$391.32 million during last month as against \$321.38 million in January, 2005 depicting an increase of \$69.94 million or 21.76 per cent.



Corporate Sector

Feasibility Study of Exchange-traded Derivatives Completed:

A committee formed by the Securities and Exchange Commission of Pakistan (SECP) to study feasibility of introducing exchange-traded derivatives in Pakistan, presented its report to the Chairman SECP, Mr. Razi-ur-Rahman Khan, at the SECP head office in Islamabad.

The Chairman of the Committee, Mr. Ali Ansari, along with other members, presented the report. The members of the committee including Executive Director (Securities Market), Mr. Arif Mian, Mr. Imran Kamal, Mr. Imran Janjua, Mr. Mian Asif Said and Mr. Nihal Cassim have given their precious input towards the finalization of the report.

The report encompasses various aspects of an exchange-traded derivatives market and highlights the prerequisites and a roadmap for their introduction. It also details the developments of other emerging derivative markets including Korea, Malaysia, Brazil and India besides deliberating on the results of introducing exchange-traded derivatives and their suitability with reference to Pakistani capital markets.

To assess its suitability, the report covers broad areas of the derivatives market and its prerequisites including market and legal infrastructure, exchange and clearinghouse structure, intermediaries, investor protection and education.

The SECP plans to establish an exchange traded derivatives capability within the near future to help promote the Pakistani capital markets and to provide an alternative mechanism for leveraging on the equity markets which is a substitute for the current CFS system.

Public and other stakeholders can give their comments on the report till 10 March 2006. The report is available on the SECP's website, www.secp.gov.pk

CLRC Deliberates Upon Draft Concept Paper for Development of Corporate Sector:

The third meeting of the Corporate Laws Review Commission (CLRC) was held in Lahore at the Company Registration Office of the Securities and Exchange Commission of Pakistan (SECP).

The CLRC deliberated upon the draft concept paper for the development and regulation of the corporate sector. The members of the CLRC unanimously agreed upon the conceptual approach for the redrafting or the amendment of the law, as the case may be. Specifically, it was agreed that the law should be made clear, concise and comprehensible; it should lay down the rules governing "core company law" so that the basic principles governing the operation of corporate entities from registration to winding up may be available in a single, comprehensive framework. Most importantly, it was agreed that the law while

embracing international best practices should be suitable to the local environment.

SECP Decides: Continuous Funding System (CFS) to continue, to be reviewed by 31 May 2006:

After a detailed study of the funding available to the securities market and determining the need of the market place and the risks inherent in it, the Securities and Exchange Commission of Pakistan (SECP) has decided that Continuous Finance System (CFS), currently in place, will continue. CFS will be reviewed by 31 May 2006 and in the meantime the existing CFS regulations will be enforced in letter and spirit.

Discussions will be held with the Karachi Stock Exchange (KSE) management with a view to determining the phase in of the outstanding regulations so that CFS risks are minimised at the earliest. Cap on CFS transactions of Rs. 25.0 billion for KSE and Rs. 2.31 billion for LSE will continue till further notification.

SECP-CBR Task Force on Transfer Pricing:

SECP and CBR had constituted a Joint Task Force on Transfer Pricing to study issues concerning the accounting, measurement, reporting and allied matters on related party transactions and provide appropriate recommendations.

The Task Force has since submitted a unanimous report wherein it has *inter alia* recommended that the application of the IAS-24- Related Party Disclosures, should extend to all companies including the non-listed public companies and the private companies other than small companies because of the importance of the requirements therein for all stakeholders.

SECP has accepted the recommendation of the Task Force and issued a directive to all companies including the non-listed public companies and the private companies other than small companies to ensure compliance with the requirements of IAS-24- Related Party Disclosures. Full text of the directive is available on the website of SECP. www.secp.gov.pk

Prudential Regulations for Consumer Finance:

The Securities and Exchange Commission of Pakistan (SECP) has issued Prudential Regulations, which come into immediate effect, for Consumer Finance for Non-Banking Finance Companies (NBFCs). The objective behind the issuance of these regulations is to provide new avenues to investment banks, leasing companies, housing finance companies and discount houses in order to enhance diversification and broaden their product range. The regulations include comprehensive operational guidelines and various risk management measures which have to be adopted by NBFCs initiating consumer financing.

IFAC News

IFAC's Public Sector Accounting Standards Board Proposes New Reporting Requirements for Non-Exchange Revenue :

Taxes are the major source of revenue for most governments, but internationally agreed requirements for accounting for them in general purpose financial statements have not yet been developed. To deal with this major gap in international accounting requirements for governments, the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC) has issued a proposed standard on the financial reporting of revenue from non-exchange transactions, including taxes and transfers.

The exposure draft (ED) of the proposed International Public Sector Accounting Standard (IPSAS), *Revenue from Non-Exchange Transactions (Including Taxes and Transfers)*, deals with a range of matters critical to government financial reporting of taxes, including the basis on which a wide range of taxes should be recognized and how they should be measured. The ED also addresses accounting for other major sources of non-exchange revenue for public sector entities, including transfers from other governments and international organizations, and gifts and donations. The ED also provides guidance on how conditions and restrictions on the use of transferred resources are to be reflected in the financial statements.

IFAC Focuses on Corporate Conduct; Issues New Guidance on Developing Codes of Conduct:

Recognizing the

critical role of ethical values and standards on protecting the public interest, the International Federation of Accountants (IFAC) has developed new proposed guidance for corporate accountants and management worldwide. Its Professional Accountants in Business (PAIB) Committee has issued an exposure draft, *Guidance for the Development of a Code of Corporate Conduct*, proposing guidance to assist professional accountants and others in establishing and implementing codes of conduct in their organizations. The exposure draft may be viewed by going to <http://www.ifac.org/EDs>.

"The goal of this proposed new guidance is to support sound corporate governance policies worldwide," emphasizes IFAC President Graham Ward. "The publication draws greater attention to the need for corporate codes of conduct and provides practical guidance on the scope and implementation of such codes."

17th World Congress of Accountants on: "Accountants; Generating Economic Growth and Stability Worldwide"

13-16 November 2006 Istanbul: The 17th World Congress of Accountants is being hosted by the two professional bodies of accountants in Turkey, the Union of the Certified Public Accountants of Turkey (EAAT), and the International Federation of Accountants (IFAC) will be held in Istanbul, Turkey on November 13-16, 2006. Visit the Congress website: <http://www.wcoa2006istanbul.org.tr>

ICMAP News

ICMAP New Nominations on the Board of Governors of PIPFA:

The Council of the Institute of Cost and Management Accountants of Pakistan has nominated the following members on the Board of Governors of PIPFA.

1. Mr. Muhammad Azam Khan Shad, FCMA, C.E. Bridgelink Consultants
2. Mr. Mohammad Arif Nara, FCMA, Director Finance, TNT (Pvt) Ltd.
3. Mirza Munawar Hussain, FCMA, C.E. Munawar Mirza & Co.

ICMA Pakistan National Council 2006 2008: Mr. Sher Afgan

Malik, FCMA has been unanimously elected, President for the period 2006-2008 by the National Council of the Institute of Cost and Management Accountants of Pakistan (ICMAP) in its 221st meeting held here on January 21, 2006. Mr. Malik has previously served the Institute as President and member National council during 2003-2005. Currently he is serving as Managing Director International Spectrum Development Inc; Director Adept (Pvt) Limited, Director Karachi Stock Exchange (Guarantee) Limited and Member Board of Governors of Pakistan Institute of Public Finance Accountants (PIPFA). Previously he was



Managing Director of Pakistan International Airlines Corporation (PIAC) and member Board of Governors of Pakistan Institute of Corporate Governance. Prior to that Mr. Malik has worked as Chief Executive and in various other important capacities in Saudi Arabia, U.S.A; and U.A.E.

Other Office Bearers elected unanimously are **Mr. Mutee Ur Rehman Mirza, FCMA, Vice President**, Partner, KMRSRIR, Chartered Accountants, **Mr. Mohammad Arif Nara, FCMA, Honorary Secretary**, Director Finance, TNT (Pvt) Limited, and **Mr. Muhammad Azam Khan Shad, FCMA, Honorary Treasurer**, Chief Executive, Bridgeline Consultants.

Other ICMAP National Council Members are Mr. Mohammad Abdullah Yousuf, Chairman, Central Board of Revenue, Razi ur Rahman Khan, Chairman, Securities and Exchange Commission of Pakistan, Mr. Arif Mansur, Additional Finance Secretary (Budget / Banking), Ministry of Finance, G.O.P. Mr. M. H. Asif, FCMA, Member (Finance), Oil & Gas Regulatory Authority, Mr. Muhammad Rafi, FCMA, General Manager Finance, Oil & Gas Development Company Ltd. Mr. Kashif Mateen Ansari, FCMA, Director Finance & CFO Army Welfare Trust, Mr. Hasan A. Bilgrami, FCMA, President & C.E.O., BankIslami Pakistan Limited, and Mirza Munawar Hussain Sahib, FCMA, Chief Executive, Munawar Mirza & Co.

PIPFA Affairs

Annual Membership Subscription: Annual Membership Subscription for the year 2005-06 had become due on **1st July 2005**.

Members who have not yet paid their dues yet are requested to clear the same at earliest. Payment may be made through demand draft or cross Cheque in favor of PIPFA drawn on any bank branch at Karachi. Members at Lahore and Faisalabad can also make payment to our Lahore or Faisalabad Offices.

Admission of New Members:

Fellow:

1. Mr. Kausar Ali Fecto	(FPA-1469)
2. Mr. Muhammad Arshad	(FPA-1612)
3. Mr. AbdulAzeem	(FPA-1761)
4. Mr. Amir Badshah	(FPA-363)
5. Mr. Muhammad Hassan	(FPA-1180)
6. Mr. Iftikhar Ahmad Mir	(FPA-1401)
7. Mr. Amer Hussain	(FPA-1635)
8. Mr. S. Mohammed Jamshed	(FPA-1652)
9. Mr. Mohammed Ahmed	(FPA-1733)
10. Mr. Shahbaz Ahmad	(FPA-1862)
11. Mr. Syed Farman Shah	(FPA-637)
12. Mr. Muhammad Yousuf Jamal	(FPA-1744)

Associate:

1. Mr. Fahim Khan	(APA-3647)
2. Mr. Muhammad Adnan Sarwar	(APA-3648)
3. Mr. Muhammad Zahid Hasan	(APA-3649)
4. Mr. Farukh Javed	(APA-3650)
5. Mr. Murtaza Ahmed	(APA-3651)
6. Mr. Muhammad Rehan	(APA-3652)
7. Mr. Khurram Mubarak	(APA-3653)
8. Mr. Rashad Faiz	(APA-3654)
9. Mr. Muhammad Akram	(APA-3655)
10. Mr. Kashif Rehman	(APA-3656)
11. Mr. Adnan Sharif	(APA-3657)
12. Mr. Kamran	(APA-3658)
13. Mr. Muhammad Asif	(APA-3659)
14. Mr. Muhammad Zahid Bin Jalal	(APA-3660)
15. Mr. Muhammad Rizwan	(APA-3661)
16. Mr. Rizwan Ali	(APA-3662)
17. Mr. Ali Hassan	(APA-3663)
18. Mr. Muhammad Mahmood Ahmad	(APA-3664)
19. Mr. Muhammad Adil	(APA-3665)
20. Mr. ALI MUHAMMAD	(APA-3666)
21. Mr. Khawaja Ali Usman	(APA-3667)
22. Mr. Kashan Samad	(APA-3668)
23. Mr. Hassan Jan	(APA-3669)
24. Mr. Salahuddin Ahmad	(APA-3670)
25. Mr. Muhammad Azam Khan	(APA-3671)
26. Mr. Saifullah	(APA-3672)
27. Mr. Liaquat Ali	(APA-3673)
28. Mr. Mehboob Iqbal Qureshi	(APA-3674)
29. Mr. Abdul Quadir	(APA-3675)
30. Mr. Zeeshan Mumtaz	(APA-3676)
31. Mr. Shahid Amin	(APA-3677)
32. Mr. Adeel Shahzad	(APA-3678)

Promotional Activities: To endorse PIPFA educational programme and make it more acquainted among prospective students, PIPFA have always been participating in the mega educational events successfully, organized by World Learning Bureau every year.

PIPFA participated in the International Educational Exhibition at Karachi on March 5-6, 2006 and will be participating at Rawalpindi on March 8-9, and in Lahore on March 11-12, 2006 respectively.

At Karachi the Exhibition was attended by large number of intending students, parents and other interested persons. Visitors were very impressed with PIPFA's program and its availability at easily affordable cost. Participation in the **16th Pakistan International Education Exhibition** helps PIPFA to catch the attention of prospective students and encourage them to join PIPFA Education Program.

PIPFA Public Sector: The classes of AGP Trainees for the Winter 2005

Session who have been appointed directly in BPS-16, started at Karachi, Lahore, Rawalpindi and Peshawar ended with success, 238 Audit Officers have been nominated by AGP to attend the classes and have appeared in the Examination. The institute Secretariat has made all out efforts to organize the program, having gone through a tiring exercise in a shortest possible time.

Now after the success of 1st batch of AGP, PIPFA is starting its 2nd batch of AGP nominees, around 487 students through out Pakistan has been nominated to attend coaching classes in Karachi, Lahore, Rawalpindi and Peshawar.

Results of Winter Exam-2005: Pakistan Institute of Public Finance Accountants (PIPFA) has announced its Results of Winter Exam-2005, held during 19th to 27th Dec. 2005, in 12 cities i.e. Karachi, Hyderabad, Lahore, Islamabad, Faisalabad, Multan, Gujranwala, Sialkot, Bahawalpur, Rahim Yar Khan, Quetta and Peshawar.

These results were approved by the Board of Governors, in its meeting held on 23rd Feb. 2006.

Corporate Sector

Final Completed (53)

1017, 1046, 1085, 1124, 1138, 1251, 1261, 1461, 2016, 2035, 2038, 2055, 2059, 2076, 2106, 2139, 2147, 2224, 2283, 2297, 2333, 3015, 4039, 4046, 4048, 4050, 4052, 4093, 4095, 4096, 4097, 4099, 4174, 4182, 4206, 4213, 4218, 4250, 4253, 4254, 4255, 4367, 6001, 6012, 6025, 6051, 6054, 6112, 6115, 6133, 10005, 10006, 10009

Intermediate Completed (110)

1004, 1104, 1115, 1123, 1124, 1160, 1164, 1199, 1216, 1261, 1370, 1371, 1408, 2022, 2023, 2029, 2030, 2032, 2045, 2072, 2073, 2074, 2079, 2117, 2132, 2133, 2135, 2139, 2141, 2147, 2148, 2153, 2171, 2219, 2223, 2224, 2233, 2251, 2286, 2288, 2297, 2312, 2316, 2317, 2324, 2326, 2333, 2338, 2360, 2362, 2366, 2370, 2371, 3030, 3047, 3049, 4024, 4036, 4037, 4038, 4039, 4046, 4057, 4099, 4107, 4134, 4135, 4138, 4144, 4198, 4207, 4212, 4216, 4234, 4241, 4246, 4252, 4253, 4257, 4262, 4274, 4276, 4285, 4363, 4364, 4365, 4366, 4386, 4396, 4397, 4401, 4402, 6005, 6008, 6011, 6012, 6051, 6053, 6054, 6070, 6090, 6108, 6111, 6119, 6133, 7001, 7010, 10006, 14002, 14004

Foundation Completed (46)

1129, 1158, 1226, 1230, 1460, 1486, 2001, 2011, 2024, 2088, 2089, 2098, 2135, 2170, 2215, 2218, 2253, 2294, 4004, 4005, 4007, 4013, 4061, 4065, 4067, 4074, 4075, 4086, 4091, 4162, 4166, 4204, 4306, 4315, 4316, 4317, 4323, 4327, 4355, 6050, 6060, 6067, 6072, 6088, 6099, 10010

Public Sector

Final Completed (249)

11001, 11002, 11003, 11005, 11006, 11007, 11008, 11009, 11012, 11014, 11015, 11061, 11018, 11019, 11020, 11021, 11023, 11024, 11025, 11026, 11027, 11028, 11030, 11031, 11034, 11035, 11036, 11038, 11040, 11041, 11042, 11043, 11045, 11046, 11047, 11048, 11049, 11050, 11051, 11052, 22002, 22003, 22004, 22006, 22007, 22008, 22009, 22010, 22011, 22012, 22013, 22014, 22016, 22017, 22018, 22019, 22020, 22021, 22022, 22023, 22024, 22025, 22026, 22027, 22028, 22030, 22031, 22032, 22033, 22034, 22035, 22036, 22037, 22038, 22039, 22040, 22041, 22042, 22044, 22045, 22046, 22047, 22048, 22049, 22050, 22053, 22054, 22058, 22059, 22060, 22061, 22063, 22064, 22065, 22067, 22069, 22070, 22071, 22072, 22073, 22076, 22077, 22078, 22079, 22080, 22081, 22082, 22084, 22085, 22086, 22088, 22089, 22090, 22092, 22093, 22094, 22095, 22097, 22098, 22099, 22100, 22101, 22102, 22103, 22104, 22105, 22106, 22108, 22109, 22110, 22111, 22112, 22113, 22115, 22117, 22118, 22119, 22120, 22121, 22122, 22123, 22124, 22126, 22127, 33001, 33002, 33003, 33004, 33005, 33007, 33008, 33009, 33010, 33011, 33012, 33014, 33015, 33016, 33017, 33018, 33020, 33021, 33022, 33023, 33024, 33026, 33027, 33029, 33031, 33032, 33033, 33034, 33035, 33037, 33038, 33039, 33040, 33041, 33042, 33043, 33045, 33046, 33047, 33051, 33052, 33053, 33054, 33055, 33057, 33058, 33059, 33060, 33063, 33064, 33065, 33067, 33072, 33073, 33074, 77052, 77053, 77001, 77002, 77003, 77004, 77005, 77006, 77007, 77008, 77009, 77010, 77011, 77012, 77013, 77014, 77015, 77016, 77017, 77018, 77019, 77020, 77021, 77022, 77023, 77024, 77025, 77026, 77027, 77028, 77029, 77030, 77031, 77032, 77033, 77034, 77036, 77037, 77038, 77039, 77042, 77043, 77044, 77045, 77047, 77048, 77049, 77050, 77051



Intermediate Completed (182)

11001, 11004, 11005, 11006, 11007, 11008, 11012, 11014, 11016, 11018, 11019, 11020, 11022, 11023, 11024, 11025, 11026, 11027, 11028, 11031, 11034, 11035, 11038, 11039, 11041, 11043, 11045, 11048, 11051, 11052, 22001, 22003, 22004, 22006, 22007, 22008, 22009, 22011, 22012, 22013, 22017, 22018, 22019, 22021, 22022, 22024, 22025, 22026, 22027, 22028, 22030, 22031, 22032, 22033, 22034, 22035, 22036, 22037, 22038, 22040, 22041, 22042, 22044, 22045, 22046, 22047, 22048, 22049, 22050, 22053, 22054, 22056, 22057, 22058, 22059, 22060, 22061, 22063, 22064, 22065, 22067, 22069, 22070, 22071, 22072, 22073, 22076, 22077, 22079, 22080, 22081, 22082, 22085, 22088, 22089, 22093, 22097, 22098, 22100, 22101,

22102, 22104, 22105, 22108, 22110, 22113, 22119, 22120, 22121, 22124, 33001, 33002, 33003, 33004, 33005, 33006, 33007, 33010, 33011, 33012, 33013, 33014, 33015, 33016, 33017, 33018, 33019, 33021, 33023, 33024, 33026, 33028, 33032, 33033, 33034, 33035, 33036, 33039, 33041, 33044, 33045, 33046, 33053, 33054, 33055, 33074, 77001, 77002, 77003, 77004, 77005, 77006, 77007, 77008, 77010, 77011, 77013, 77014, 77015, 77016, 77017, 77018, 77021, 77022, 77023, 77024, 77027, 77028, 77029, 77030, 77031, 77032, 77033, 77036, 77037, 77038, 77039, 77041, 77042, 77044, 77045, 77047, 77048, 77050, 77052,

Foundation Completed (4)

11009, 11030, 11051, 22015

Mid-Year Review of Pakistan's Economy

Pakistan's economy has continued to perform strongly over the last several years with economic growth accelerating to 8.4 percent in 2004-05, its fastest pace in two decades. The strong economic recovery since 2002-03 accompanied by macroeconomic stability has been underpinned by prudent macroeconomic policies, wide-ranging structural reforms, fiscal discipline and consistency and continuity in policies. These policies have contributed to a marked improvement in productivity and in consumer and investor confidence leading to growing overall domestic demand, which should help to support growth at a robust level over the medium-term.

The major achievements thus far included a strong economic recovery supported by a robust performance in industry, agriculture and services; extraordinary strengthening of domestic demand; reduction in fiscal deficit; a high double-digit-growth in exports and imports; workers' remittances continue to maintain its momentum, stability in exchange rate; a sharp reduction in the public and external debt burden; privatisation program moving forward with a brisk pace; and Pakistan re-entering international capital markets with major successes. Notwithstanding these successes, some major challenges also emerged in the shape of a sharp pick up in general price level and widening of trade and current account deficits: these can be described as side effects of strong economic recovery. On the back of strong economic recovery the current fiscal year (2005-06) was envisaged to consolidate the gains made over the last three years and also address the challenges of economic recovery mentioned above.

Accordingly, the real GDP was targeted to grow by 7.0 percent, supported by a 4.2 percent growth in agriculture, 12.0 percent growth in manufacturing and a 6.5 percent growth in all other sectors. Inflation is like toothpaste, once out from the tube, it is difficult to put it back. Knowing very well that taming inflation is a difficult job; inflation at 8 percent was targeted for the fiscal year 2005-06 - slightly lower than the last year's average inflation of 9.3 percent.

Fiscal deficit was targeted at 3.8 percent of GDP, exports and imports were targeted to grow by 16.4 percent and 16.2 percent, respectively with trade and current account deficits amounting to \$5.035 billion and \$3.157 billion, respectively; and remittances were targeted at \$4.3 billion. Pakistan's economy faced headwinds from rising energy prices, touching all time high at over \$70/bbl from the beginning of the current fiscal year. It was then struck by massive earthquake of October 8, causing widespread destruction of areas and human

lives. These two developments have so far had a limited impact on growth but the capacity of the economy to absorb shocks of such magnitudes is not unlimited. This Report reviews the performance of the key macroeconomic indicators during the first half (July-December) of the current fiscal year.

Area and Production of Major Crops:

Crop	Area (Million Hectare)			Production (Million Tons)				
	2005-06			2005-06				
	Original	Current	%	Original	Current	Target	Position	Change
	2004-05	Target	Position	2004-05	Target	Position	Change	
Cotton	3.193	3.247	3.124	14.265	15.0	12.700	-11.2	
Sugarcane	0.966	0.955	0.900	47.244	50.095	40.100	-15.1	
Rice	2.519	2.533	2.531	5.023	5.000	5.500	9.5	
Wheat	8.329	8.415	--	21.562	22.000	--	--	

Source: Ministry of Food and Agriculture

Inflation Rate (CPI)

Item	2003-04	2004-05	July-December	
			2004-05	2005-06
CPI (General)	4.6	9.3	8.8	8.4
Food Group	6.0	12.5	12.6	7.6
Non-Food Group	3.6	7.1	6.2	9.1
Core Inflation	3.7	7.0	6.6	7.6

Source: State Bank of Pakistan

Foreign Private Investment (Net)

	July-December		% Change
	2004-05	2005-06	
Direct	445.0	1103.3	147.9
Portfolio	59.3	359.3	505.9
Total	504.3	1462.6	190.0

Source: State Bank of Pakistan

Last Date for submission of Examination Form Summer 2006 is March 25, 2006



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