BUDGETARY TARGETS: GOVT TO TAKE FISCAL MEASURES SET BY IMF: FM

ISLAMABAD: Finance Minister Ishaq Dar said Monday that a discussion with the International Monetary Fund (IMF) in Geneva focussed on revenue shortfall and super tax in litigation, as well as narrowing down issues on power and gas rates. This was stated by Dar in response to a question during a press conference of Prime Minister Shehbaz Sharif on Wednesday. However, he was neither asked nor did he mention any discussion with the IMF on the widening gap between inter-bank and open market rates. He said that he and his team held a detailed meeting with the IMF on the sidelines of the Geneva Conference and issues have been narrowed down on power and gas sector reform. He added that on the fiscal side a special tax of 10 percent which has been delayed due to a court's stay order and they were informed that it would be recovered by the Federal Board of Revenue (FBR) in staggered manner and this is the reason that the revenue target has not been changed. He said that the Fund also wanted the withdrawal of untargeted Kissan and Exporters packages. He said that the government would take fiscal measures to make up for shortfall of December 2022 but it would be targeted and categorical, and would not burden the common man. He said that the flood levy would be a one-off step. He also clarified that the government will not take over foreign exchange reserves of the commercial banks and later tweeted that "national foreign exchange reserves always include forex held with SBP and commercial banks. Recently, I quoted the forex reserves figure based on this principle. Some vested elements who ruined this country's economy in the past, gave it a deliberate twist and started a campaign".

The finance minister said that gas circular debt has increased to Rs1,600 billion and the government wanted to reduce the total quantum, as well as slow down the flow but maintained that the government would not burden the common man. Dar said that the reconstruction plan for the flood-hit areas is for a period of three years and every year government would have to spare Rs650 billion from the PSDP and provincial ADP, for which, they are being taken on board. Dar said that the project loan financing announced by the WB, the IDB and the ADB, as well as the AIIB has already gone over $8 billion, whereas, it is not clear whether $1 billion of Saudi Development Bank was programme lending or the project loan. We have decided that half of the total $16 billion need assessment work out by the global agencies in collaboration with Planning Commission should be picked up by the global community and the remaining half would be picked up by the government, Dar said.

Reuters adds: Pakistan will take fiscal measures set by the International Monetary Fund (IMF) to meet its budgetary targets for the 2022-23 financial year, finance minister Ishaq Dar said on Wednesday.

The measures included reviewing subsidies in the farming and export sectors and shedding energy sector debt, he said.

The minister told a news conference in Islamabad that a "detailed discussion" had taken place with the IMF on the sidelines of a climate conference in Geneva on Monday, where the lender had emphasized a need to take the fiscal measures. A 9th IMF review to clear the release of the next tranche of funds to Pakistan has been pending since September, as the country faces a severe economic crisis with its central bank foreign reserves falling to a critical level of below $5 billion, which is barely enough for three months of imports.

Pakistan does not have any plans to take over commercial bank's foreign reserves, Dar said in a statement after the news conference, hoping the central bank reserves would improve soon. "They (IMF) think that we should take some fiscal measures, like if there are some un-budgeted subsidies," he said, adding the latest discussion had narrowed down the issues on the IMF's agenda. "We will achieve all our budgetary targets," he said. Dar said that the IMF had taken up the subsidies in the export and farming sectors and the energy reforms, adding: "We will do it but it wouldn't burden any common man, it will be very targeted and categorical."

The minister did not elaborate on whether the subsidies would be cut or withdrawn altogether, saying it would be worked out, adding that the gas sector debt would be reduced from dividends of the companies. Pakistan's power regulator has already allowed Sui Northern Gas Pipeline Ltd (SNGPL) and Sui Southern Gas Company (SSGC) to hike rates up to 75%, which is subject to cabinet approval.

R 12-1-2023

90% GENEVA PLEDGES ARE LOANS, NOT AID: FINANCE MINISTER SPILLS THE BEANS; REVIVAL OF LOAN TALKS WITH IMF NOT IN SIGHT

ISLAMABAD: As the international community has given over $8 billion or 92% of the total pledges in project loans for the flood-hit areas at a donors conference in Geneva, the government still does not have a firm date for the International Monetary Fund's (IMF) visit due to differences over the mini-budget and increase in energy tariff.

The proceedings of Prime Minister Shehbaz Sharif's news conference at the PM's House on Wednesday confirmed that if the government is keen to revive the IMF programme, it will have to bite the bullet by imposing new taxes and increasing electricity and gas tariff. Where the "unprecedented pledges" of $9.7 billion have given a clarity on the $16.3 billion reconstruction plan of the flood-affected areas, the government still seems struggling to address other pressing issues in hand -- how to avoid default.

While addressing the news conference, both Prime Minister Shehbaz Sharif and Finance Minister Ishaq Dar could not announce a date for the staff-level visit of the IMF to begin negotiations for the 9th review of the $6.5 billion bailout package.
The reason for not giving a date was a long list of demands that the global lender has handed over to Pakistan this week, including imposition of 17% sales tax on petroleum products, withdrawal of sales tax exemptions to exporters and levy of federal excise duty on cigarettes and beverages.
While responding to a question, the finance minister said that he had a detailed meeting with the IMF team on the sidelines of the Geneva moot where he managed to “narrow down” some of the demands by them that include power sector reforms, gas and energy prices and covering gap in tax collection.
In December, the FBR had sustained Rs225 billion shortfall in the tax collection, which in the view of the IMF cannot be recovered in the remainder period of the current fiscal year.
But the finance minister said that the gap in the revenue collection was a result of a high court ruling, invalidating 10% super tax imposed by the government in June last year. He said his team informed the IMF that Pakistan could recover the revenue shortfall in a staggered manner after the Supreme Court ruled on the super tax. “We are not changing the fiscal budget target (of Rs7.470 trillion) and we will achieve it,” he asserted.
Against the Rs7.470 trillion tax collection target the sources said that the IMF has anticipated a Rs420 billion shortfall. “On the safer side, the IMF wanted that the government should take fiscal measures and cut back some subsidies,” revealed Dar. “We have identified some fiscal measures,” said the finance minister but hastened to add, “There will be no burden on the common man.” “They [fiscal measures] will be very targeted and categorical,” he assured.
Dar confirmed that the IMF had also issues with unbudgeted subsidies given to exporters and farmers and some other subsidies, which it now wants to be backed by fiscal measures.
The sources said that the annual impact of electricity subsidy to exporters, who own jets, was Rs118 billion while another Rs28 billion was the cost of the subsidy for farmers. The Rs65 billion impact of the fuel price adjustment has also not been budgeted.
The sources said that the IMF had informed Pakistan to trigger the contingency measures that it had promised to take in case of a shortfall in revenues.
The government has committed to increase sales tax on all petroleum products, withdraw GST exemptions, including on beverages and other unwarranted exemptions, such as those benefiting exporters. There is also a demand to further increase the federal excise duty on cigarettes.
In addition to that, the government is already in the process of imposing a flood levy on imports and income levy on the foreign exchange earnings of the commercial banks. “We will take two to three measures, which also include flood levy”, said the finance minister.
Pakistan gross official foreign exchange reserves have depleted to mere $4.5 billion --- not sufficient to meet even its one-month external financing needs.
Dar also revealed that almost 90% of the pledges made by the international community at the Geneva conference for flood-hit Pakistan were project loans that will be disbursed over the next three years. “Out of total $9.7 billion, over $8 billion are in project loans.”
The project loans, include $4.2 billion commitment from the Islamic Development Bank, $500 million by the Asian Development Bank, $1 billion by the Asian Infrastructure Investment Bank, and $2 billion by the World Bank, he added. “I am not incorporating the pledge made by the Saudi Development Fund on purpose here because it is not clear whether their announcement of $1 billion was a loan or a grant,” Dar said.
The prime minister said that we should not indulge into debate whether the pledges were loans or grants and added the money should be used for the rehabilitation of the flood-affected areas.
Responding to a question on how soon he expects the pledges to turn into actual inflows, the prime minister said that depended on “us”. “The faster we can design and create feasibilities and impress them, the faster these pledges will materialise.”
Dar said that the government will meet the remaining $8 billion financing requirements through the federal and provincial development budgets. “After $9.7 billion pledges, the average per annum needs will be met from domestic sources come around Rs650 billion that we can comfortably meet,” said Dar.
At the outset of the briefing, the prime minister vowed that the government would utilise “every penny” of the pledges made by the international community for the prosperity and rehabilitation of flood-hit people, which according to him would be materialized in the next three years. “Be it bilateral or multinational donation, a sum of $9.7 billion is the total amount that was pledged by the bilateral donors and multilateral,” said the Finance Minister.
Giving a breakdown of the amount pledged at the conference, the prime minister said Saudi Arabia committed $1 billion followed by China $100 million, Qatar $25 million, Canada $18.6 million, Denmark $3.8 million, European Union €87 million, France €380 million, Germany €84 million, Italy €23 million and Azerbaijan $2 million.
The premier said that the unprecedented pledges showed respect for Pakistan, adding the countries would never have committed the amount had there been reservations over financial irregularities.
“Those who hatched propaganda against the government have gotten the answer,” he said in an indirect reference to opponents of the coalition government. He maintained that the world leaders trusted the incumbent coalition government, adding “it is now upon us to utilize the amount on infrastructural development and for the development of other important sectors”.
The prime minister also thanked Saudi Crown Prices Mohammed Bin Salman for announcing intentions to deposit additional $2 billion in the State of Bank of Pakistan (SBP).
Talking about tackling climate challenges, the prime minister said the government was aware of the globally changing circumstances as reconstruction process will have to be robust and resilient through modern technology. He told journalists that every penny will be spent in a very transparent manner, while “a third-party audit will be conducted” to ensure transparency of the process.
In his address, Foreign Minister Bilawal Bhutto Zardari termed the prime minister’s foreign policy “successful”, saying the government achieved “two targets with a single shot”. “When I say we achieved two targets simultaneously, it means we also dispelled a myth that Pakistan is isolated.”

TR 11-12-2023

‘NON-PAYMENT’ OF KE’S OUTSTANDING AMOUNTS: GOVT RECEIVES LEGAL NOTICE FROM TWO GLOBAL GROUPS

ISLAMABAD: Pakistan has received legal notice from M/s Al-Jomaih Group of Saudi Arabia and the National Industrial Group of Kuwait reportedly on non-payment of outstanding amounts of Karachi Electric (KE) by using OIC platform with indication to go for arbitration, well informed sources in Petroleum Division told *Business Recorder*. Both Groups, sources said, have sent legal notice to the office of Attorney General of Pakistan (AGP), which, however, suggested the concerned authorities to avoid litigation.

The notice has been served for alleged breaches of the Agreement on Promotion, Protection and Guarantee of Investment Agreements Amongst the Members States of the Organization of Islamic Conference (the “OIC Investment Agreement”). The notice suggests initiation of formal legal proceedings against the Federation unless disputes concerning outstanding payments are resolved.

According to sources, AGP Office has examined the notice and has the following observations: (i) Pakistan is a signatory to the OIC Investment Agreement. The countries of origin of the claimants are also signatories to the OIC Investment Agreement. Accordingly, the Federation can be litigated against under the OIC Investment Agreement; (ii) The claimants satisfy all legal requirement for issuance of proceedings against Pakistan under the OIC Investment Agreement. Specifically, there are two requirements that must be satisfied before proceedings can be initiated under the said Treaty: first, the claimant must be an investor within the definition of an investor in the Treaty. Second, the claimant must have made an investment within the definition of an investment in the Treaty; (iii) The claimants are the ultimate and beneficial owners of Al-Jomaih Power Limited and Denham Investments Limited that collectively own 46% of KES Power that, in turn, owns 66% shareholding of KE. Accordingly, the claimants fall within the definition of the Investor in the OIC Investment Agreement; (iv) The claimants have deployed finances and resources in KE and thus satisfy the definition of investment. The OIC Agreement does not provide a minimum equity threshold for initiation of arbitral proceedings.

PRIVATISATION: GOVT DELISTS SME BANK

ISLAMABAD: The government has delisted SME Bank from privatisation list as no bank is ready to acquire it due to its poor financial condition and monthly Rs 100 million loss, well informed sources told *Business Recorder*.

SME Bank Limited was established as a public limited company in October 2001, upon amalgamation of Regional Development Finance Corporation and Small Business Finance Corporation. Under the Companies Ordinance 1984, Government of Pakistan holds 93.88% shares in the SME Bank, whereas the rest are held by the National Bank of Pakistan, United Bank, MCB Bank, Habib Bank, Allied Bank and Industrial Development Bank limited to the aggregate of 6.12%. After completing due process such as approval of Transaction Structure and inviting EoI etc the following three investors were pre-qualified by the PC Board on June 02, 2020: (i) Pakistan Kuwait Investment Company (Private) Ltd & Pak Libya Holding Company (Private) Ltd; (ii) Veon Holding, BV (parent company of Pakistan Mobile Communications Ltd); and (iii) Saudi Pak Industrial & Agricultural Investment Company Ltd.

On January 28, 2021, Saudi Pak communicated its “no interest”, whereas the consortium of Pak Kuwait & Pak Libya submitted its response on February 17, 2021 seeking concessions for further engagement. Nonetheless, during the period from March to August 2021, Privatisation Commission in collaboration with Finance Division and State Bank of Pakistan (SBP) engaged with the prequalified bidders (PQBs) and held series of meetings to address the following observations: (i) MCR compliance (given that SME Bank has negative equity);(ii) SME Bank Licence; (iii) SPA provisions w.r.t. indemnities & warranties; and (iv) Veon Holdings - Proposed Merger with MMBL.

Recently, Ministry of Privatisation apprised the CCoP that the status/update on the SME Bank transaction was presented before the PC Board in its meeting held on November 25, 2021, wherein the Board was informed that the request of two bidders for provision of deposit of Rs 10 billion for a period of approximately 10 years either by the GoP or SBP was not agreeable being out of the scope of approved framework. Further, two major incidents outside the scope of privatization transaction i.e., the FBR action against Mobilink on account of Income Tax for the tax year 2018 and SBP policy measure waiving IBFT charges during Covid period, led to VEON Holdings’ disengagement from the SME Bank privatisation.

According to sources, PC Board recommended placing the matter before the Cabinet Committee on Privatization (CCoP) for delisting of SME Bank from the Privatisation Programme, to enable the Finance Division and the SBP to proceed further with alternate options. Recommendations of the PC Board were considered by the CCoP in its meeting held on December 31, 2021, which constituted a sub-committee under the chairmanship of Federal Minister for Finance & Revenue for further deliberations on the matter.

Accordingly, the Committee convened series of meetings, under the chairmanship of finance minister and deliberated upon the matter and observed that the SME Bank was incurring a loss of around Rs 1.00 billion each year and maintaining the bank on ventilator was not a good option. It was directed to explore the possibility of merging it with NBP or any other bank.

The State Bank of Pakistan pointed out that due to continuously deteriorating financial condition, the SME Bank had sent a SOS call for urgent financial support from the financial support from Federal Government. The SBP inter alia requested Finance Division to: (i) immediately arrange necessary funds to meet the instant liquidity needs of the bank to avoid default in payments to its depositors and (ii) initiate the process of winding down at the earliest to avoid further accumulation of losses, and possible drag on exchequer. During the ensuing discussion, Finance Minister/ Chairman, CCoP observed that SME was continuously incurring heavy losses due to deteriorating financial condition, therefore, this situation may affect its depositors. The governor, SBP expressed the concerns that SME was incurring a loss of Rs 100 million per month for the government, which had accumulated to Rs 8 billion. It was added that SME bank was facing severe liquidity problems and needed immediate government intervention to avoid default and in making payment to its depositors.

R 12-1-2023

CDNS ACHIEVES TARGET OF RS 740BN THROUGH FRESH BONDS

The Central Directorate of National Savings (CDNS) on Tuesday achieved the target of issuing Rs 740 billion in fresh bonds in the current fiscal year 2022-23 from July 01 to January 8, 2023.

The CDNS has set a reviewed saving target of Rs 1.3 trillion for the current financial year (2022-23) which will “promote the savings culture in the country”, a senior CDNS official told APP. In view of the current market trend in the country, the ambitious target had been set to further improve the savings culture, he said. Responding to a question, he said the CDNS surpassed its annual target in the previous fiscal year 2021-22 and set a historic record of Rs 1,250 billion in savings till June 30, 2022. For the first time in its history, CDNS crossed Rs 1,000 billion in fresh deposits and achieved the target of Rs 1,250 billion by June 30, 2022. He said CDNS had accomplished the target of issuing Rs 1,250 billion in fresh bonds from July 1, 2021, to June 30, 2022. It had set an annual gross receipt target of Rs 980 billion from July 1 to June 30 of the previous financial year 2020-21 to promote savings in the country. The senior official said the CDNS had set a Rs 250 billion annual collection target from July 1 to June 30 for the year 2020-2021 as compared to Rs 352 billion during the same period for the previous year (2019-20) to enhance savings in the country.

The CDNS had set Rs 352 billion annual collection target for the year 2019-20 as compared to Rs 350 billion for the previous year (2018-19), he added. Replying to another query, he said CDNS had reviewed and set a target of Rs 60 billion in the fiscal year (2022-23) for Islamic investment to introduce the new products in the market. In the current financial year, CDNS would achieve the investment target of Rs 60 billion, he maintained. He added that the CDNS had entered the Islamic finance market in August 2022, and was offering Islamic finance to its customers.

National Savings would work on Islamic Sharia bonds and certificates to give opportunities to their customers in Islamic finance, the official highlighted.

Times 11-12-2023

GOVT RAISES RS316 BILLION IN T-BILL AUCTION

KARACHI: The government raised Rs316 billion through an auction of the T-bills on Wednesday, against a pre-auction target of Rs650 billion and maturity of Rs685 billion, the central bank data showed. Yield on a short-duration Market Treasury Bills (T-bills) remained stable, although the market expects a further hike in interest rates at an upcoming monetary policy review scheduled for January 23.

The cut-off yield on the three-year T-bill stood at 16.9999 percent, unchanged from the previous auction held on January 3. The yield on six-month paper was 16.8255 percent. The bids were rejected for the 12 months' papers. Analysts said that a bid pattern in the fresh auction revealed expectations for increased interest rates at an upcoming monetary policy.

As opposed to the target of Rs650 billion and maturity of Rs685 billion, the government raised Rs316 billion through the auction. Participation of Rs626 billion was observed. “I think SBP [State Bank of Pakistan] will further increase the rate by 100 to 200 bps [basis points] considering rising inflation and falling foreign exchange reserves,” said Mohammed Sohail, a CEO at Topline Securities.

The SBP raised the policy rate by 100 basis points to 16 percent in November. Due to core inflation that is still sticky and a potential increase in energy prices, the inflation monster is not anticipated to settle down in the near future.

The SBP is actively monitoring core inflation for its monetary policy settings. It is expected that the policy rate to peak around 17.5-18.0 percent and is likely to reverse from the third quarter of 2023, once the high base effect kicks into inflation reading, according to some analysts. The consumer price index inflation rose to 24.5 percent in December from 23.8 percent a month ago. “We expect SBP to raise interest rates by 1% to 17% in the upcoming monetary policy this month,” said Tahir Abbas, the head of research at Arif Habib Limited.

As a consequence of a special auction held on January 3 when it borrowed Rs655 billion from commercial banks, the government has sufficient finances this time around because it borrowed a smaller sum through today’s auction. Amidst rapidly diminishing foreign exchange reserves, a falling rupee, and deteriorating macroeconomic indicators, Pakistan is currently experiencing severe economic turmoil. The country’s foreign exchange reserves with the SBP fell to the lowest in almost nine years, enough to cover only one month of imports. After a standoff with the International Monetary Fund over tax targets delayed loan payments from being disbursed, Pakistan's economy was severely cash-strapped. Floods that submerged a third of the country and reduced its growth by half made the situation worse.

TN 12-1-2023

IMF WANTS UP TO RS7.50/UNIT POWER TARIFF RAISE

ISLAMABAD: The International Monetary Fund (IMF) has reportedly sought an increase in electricity tariff up to 7.50 rupees per unit across the board, to recover over Rs 700 billion from consumers as previous commitments made by the government were not met, well informed sources told *Business Recorder*.

An increase of Rs 7.91 per unit was agreed with the Fund and World Bank for last fiscal year but it was only partially implemented till July 1, 2022. IMF had also been assured that FPA and QTAs will be passed on to the consumers on time but their implementation had been delayed.

The sources said, IMF had been assured that recovery will be 93.83 percent, but in fact it remained less than 90 percent (FY-22 at 90.43 percent). Transmission and Distribution losses were greater than 17 percent (FY-22 at 22.16 percent) against the commitment of 15.83 percent, made with the IMF and World Bank.

Electricity demand remained depressed at 44 billion units during first quarter of current fiscal year (FY-22 at 44.4 percent) whereas IMF had been given the understanding of 45 billion units.

According to sources, government has extended subsidy of Rs 281 billion to K-Electric despite the fact that it was not budgeted. IMF had also been given assurance that exchange rate for last fiscal year would be Rs 194/$ which remained at over Rs 200/$. Likewise, the Fund had been given words that KIBOR would be 10.5 percent while in fact it remained at 15 percent.

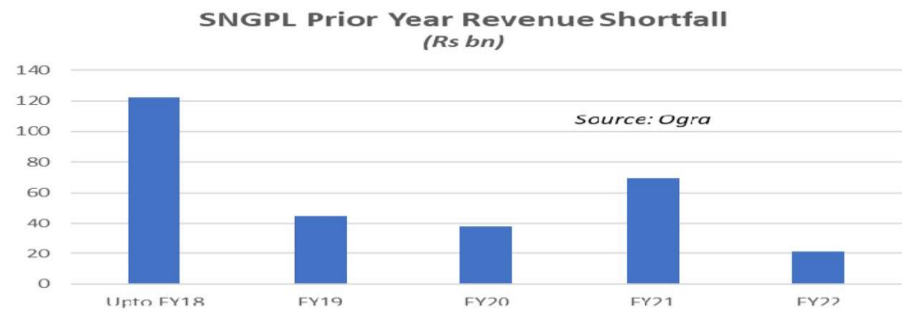
The government has also approved additional subsidies to the power sector of over Rs 200 billion despite the fact that IMF has clearly indicated that it would not allow any subsidy except those targeted to the poor segment of society. The sources said the government staggered Fuel Cost Adjustment (FCA) in violation of commitments with the Fund and World Bank. The sources said power sector budgeted requirement was of Rs 1.734 trillion whereas the government budgeted only Rs 570 billion.

Power Division has reportedly proposed to the government to amend NEPRA Act to impose surcharge to cover the gap of over 700 billion, in addition to existing Re 0.43 per unit.

GAS TARIFFS: CIRCULAR DEBT WILL STAY: BR RESEARCH

As the regulator determined consumer end gas prices for both Sui companies – analysts were quick to link it to the IMF and more importantly a step towards an end to the gas sector circular debt. Only the prescribed price increase does little to address the bulk of the circular debt, the government will have to find ways to clear the circular debt stock, and also find a way to keep the flow from rising. The Ogra price increase does not take care of that, quite contrary to popular perception.

Perspective often goes missing, especially when it comes to energy sector pricing in Pakistan. The same seems to be the case this time around, where positions are taken based on political leanings, and generalized (and often lazy) observations in the guise of analysis end up deviating from the focus. First things first – the price increase was long overdue and is a continuation of Ogra’s November decision, which was reviewed by the Sui companies, on new ground realities. The average price for SNGPL has been prescribed at Rs952/unit – higher than 29 percent from the existing average price and not 75 percent, as a number of media outlets, have been reporting. The onus still rests with the federal government which has 40 days to finalize consumer end prices for different categories and consumption slabs.



A failure to do so would mean the average price of Rs952/unit applies to all categories – meaning a massive increase in lower-end domestic slabs and fertilizer sector, and a significant decrease for most other users. The likelihood of this happening is next to none. Expect the government to continue with the cross-subsidy currently in place, and the recent statement from the finance minister very much assures that domestic consumption will continue to be subsidized by other users, who will pay more than the cost of gas.

In terms of the financial health of the sector, it should be a zero-sum game as long as the companies are getting the cost plus the required return – regardless of who pays how much. For anyone pinning hopes on this exercise even moving a needle on the circular debt is best advised to thoroughly go through the regulator's price determinations. It is often what is missing and not what is included in the final price – that is the cause of concern. Ogra has maintained its earlier stance of continuing to exclude the prior year's shortfall, which makes up for nearly one-third of what is now called the gas sector circular debt. In SNGPL's case alone, the prior year's shortfall stands at Rs295 billion – all of which is disallowed. The shortfall stands at Rs973/mmbtu at today's indigenous gas consumption – more than the average prescribed consumer end price.

Ogra maintains that the federal government has been asked, time and again, to devise appropriate policies to address the issue via direct disbursement and settlement instead of making it part of the consumer tariff. Remember that all governments of the past are culpable in this regard – having passed on less than prescribed price increases in yesteryears. Any attempt to include this in final consumer tariffs as a cost will invite litigation – that could go on for decades and would be counterproductive.

The second reason why this price increase, though inevitable, does nothing to address the circular debt stock or the flow is that it excludes RLNG volume in revenue requirement calculations. Mind you, for FY23, RLNG volumes for SNGPL are estimated to be higher than that of indigenous gas. The regulator referred the matter to the Ministry of Energy for policy formulation. The same was submitted to the ECC, which sent it back to the Ministry for resubmission. The prices will be revised if and when there is a clear policy directive on this matter. Given the pace at which things generally move in the energy sector's bureaucracy, don't hold your hopes high. The usual shenanigans of UFG disallowances, asset estimation, return requirement (allowed 16.6% vs an ask of 19.99%), and unrealistic estimation of costs during petition are always present. The Late Payment Surcharge also continues to be disallowed as Ogra recommends Sui companies approach the federal government, this being a circular debt matter.

3 RLNG-BASED POWER PLANTS: ECC REDUCES TAKE-OR-PAY COMMITMENT TO 33PC

ISLAMABAD: The Economic Coordination Committee (ECC) of the Cabinet has reduced take-or-pay commitment to 33 per cent from 66 percent under the Power Purchase Agreement (PPA) and the GSA of three RLNG power plants in order to protect the interest of both buyers and sellers.

The ECC meeting presided over by Finance Minister Ishaq Dar on Wednesday was tabled a summary by the Petroleum Division on change in the take-or-pay commitment in power purchase agreements and gas supply agreements of three RLNG public sector power plants namely, Quaid-e-Azam Thermal Power Plant, Balloki Power Plant, and Haveli Bahadur Shah Power Plant.

The meeting was informed that on 14th April 2021, the ECC approved to waive of the minimum 66 per cent take-or-pay commitment in the Power Purchase Agreement and Gas Supply Agreement of three public sector RLNG power plants namely, Quaid-e-Azam Thermal Power Plant, Balloki Power Plant, and Haveli Bahadur Shah Power Plant (the Power Projects).

The related amendments in PPA and GSA could not be given effect which also affected and delayed the privatisation process of National Power Parks Management Company; now the prevailing international economic conditions and the unprecedented price hike of RLNG in the international market has made it expedient that the ECC's decision dated 14th April 2021 be revisited to optimise the utilisation of RLNG for the continued operations of these power projects.

In the wake of prevailing international economic conditions and the unprecedented price hike of RLNG in the international market and to optimise the utilisation of RLNG for the continued operations of these power plants, the ECC considered and approved the proposal of the Power Division to fix the minimum take-or-pay commitment at 33 per cent under the PPA and GSA to guard the interests of both buyers and suppliers. Further, the ECC allowed the fixation of Gas Supply Deposits (GSD) under the GSA at Rs15 billion per power project.

KE'S TARIFF: NEPRA APPROVES RS7.43 PER UNIT NEGATIVE ADJUSTMENT

ISLAMABAD: The National Electric Power Regulatory Authority (Nepra) has approved negative adjustment of Rs 7.43 per unit in KE's tariff and Rs 0.19 per unit positive adjustment in Discos tariffs for the month of November 2022 under monthly Fuel Charges Adjustment (FCA) mechanism.

The authority conducted a public hearing on December 27, 2022, wherein different issues were raised by the representatives of business community and public respectively. According to separate determinations and notifications issued by the regulator, the KE had sought negative adjustment of Rs 7.04 per unit in FCA of November.

The Authority noted that the Power purchase agreement was signed between NTDCL and K-Electric on January 26, 2010 for five years for sale/purchase of 650 MW on basket rates. Subsequently, a decision was made by the Council of Common Interest (CCI) in its meeting held on November 08, 2012 with respect to the modalities for withdrawal of electric power from NTDCL by the petitioner, wherein it was decided to reduce the supply of energy by 300MW from NTDCL to K-Electric.

However, the decision of the CCI has been impugned by way of suits /petitions by K-Electric in the High Court of Sindh at Karachi. No new agreement has been signed between K-Electric and NTDCL till date, and the K-Electric is continuing to draw energy from the National Grid, which at present is around 1100 MW.

According to Nepra's determination on Discos FCA, increase of Rs 0.1892/kWh shall be applicable to all the consumer categories except Electric Vehicle Charging Stations (EVCS) and lifeline consumers of all the Discos. The said adjustment shall be shown separately in the consumers' bills on the basis of units billed to the consumers in the month of November 2022. Discos shall reflect the fuel charges adjustment in respect of November 2022 in the billing month of January 2023. Member Nepra (Sindh), in his additional note, stated that power plants of National Power Parks Management Company Limited at Haveli Bahadur Shah (HBS) and Baloki are included in the most efficient plants of Pakistan power sector.

R 12-1-2023

KE ORDERED TO REFUND RS10BN CHARGED EXTRA IN NOVEMBER

ISLAMABAD: The National Electric Power Regulatory Authority (Nepra) on Wednesday notified a cut in fuel cost for consumers of K-Electric by Rs7.43 per unit for one month and an increase in fuel cost for consumers of other distribution companies (Discos) by about 19 paise per unit.

The regulator said KE had sought a Rs7 per unit tariff reduction for electricity consumed in November but based on evidence it calculated the cut at Rs7.43 per unit, resulting in Rs10 billion relief to KE consumers. The negative FCA would be adjusted in January bills. The revised rates would apply to all the consumer categories except lifeline consumers, domestic consumers consuming up to 300 units, agriculture consumers and EVCS (Electric Vehicle Charging Station) users of K-Electric.

Nepra clarified that negative adjustment on account of monthly FCA would also apply to the domestic consumers having Time of Use (ToU) meters irrespective of their consumption level. It directed the KE to show adjustments separately in the consumers' bills based on units billed to the consumers in the respective month to which the adjustment pertained.

The regulator noted that lower FCAs had resulted because of a decline in prices of gas by 6pc, RLNG 22pc and furnace oil 16pc when compared to prices in September. Separately, the regulator also notified a 19-paisa per unit increase in FCA for electricity consumed in November 2022. It said the Central Power Purchasing Agency (CPPA) had sought an increase of Rs0.1938 per unit under monthly fuel cost adjustment for November. However, after scrutiny of data and evidence, the regulator allowed an increase of Rs0.1857 per unit.

The Discos would reflect the fuel charges adjustment in respect of November 2022 in January's bills.

Dawn 12-1-2023

PROCEDURE FOR TURNING USUAL FINANCIAL INSTITUTIONS INTO ISLAMIC ONES EXPLAINED

ISLAMABAD: The Securities and Exchange Commission of Pakistan on Wednesday issued a detailed procedure for the conversion of financial institutions into Islamic financial institutions.

In a landmark development for the growth of Islamic finance in the non-bank financial sector, the SECP has issued guidelines for offering Islamic Financial Services, 2023, covering all its regulated sectors. Issuance of these guidelines is part of SECP's resolve to promote and develop an Islamic financial system in line with the constitutional objective of the Islamisation of the economy in light of the recent judgement of the Federal Shariah Court.

In the event that a conventional financial institution intends to convert itself into an Islamic financial institution, either all at once or in phases, it may do so through the laid down process. Firstly, the financial institution will initiate the conversion process with the approval of the board of directors and it would form a dedicated team, function, or department to prepare the conversion plan and spearhead conversion activities.

The financial institutions will prepare a conversion plan in light of the Shariah principles and rules and the Shariah screening criteria provided in the Shariah Governance Regulations, 2018. It will also appoint or engage a Shariah supervisory board to review and vet the conversion plan and oversee its implementation.

The financial institution will obtain approval of the conversion plan from the board of directors, if required, and may voluntarily intimate the Commission for information and disclose the approved conversion plan to the relevant stakeholders. During the execution of the conversion plan, the Shariah supervisory board may be mandated to oversee its progress and report any issue concerning Shariah compliance to the board of directors for necessary corrective action. After meeting the Shariah screening criteria provided in the Shariah Governance Regulations 2018, the financial institutions may seek and obtain a Shariah compliance certificate as provided in the said regulations.

The guidelines are framed to facilitate growth of Shariah-compliant financial products in the financial services market regulated by the Commission, which include Islamic capital markets, Takaful, Modarabas, NBFCs, pension and private funds, REITs, and so on.

The guidelines are based on notions of proportionality and gradualism and cover key principles for the conduct of Shariah-compliant operations by persons offering Islamic financial services. It also introduces the concept of "Islamic windows" in all regulated sectors, apart from providing detailed guidelines for the conversion of conventional financial institutions into Islamic financial institutions. Another essential aspect covered in the guidelines is the foundational principles for developing cohesive Shariah governance within Islamic financial institutions.

DAR SAYS FOREIGN EXCHANGE HELD WITH COMMERCIAL BANKS PROPERTY OF CITIZENS

Federal Minister for Finance and Revenue Ishaq Dar on Wednesday "categorically" dismissed rumours suggesting that the government is considering "access to foreign exchange held with commercial banks." "It is categorically denied and clarified that there is no such move under consideration of the government," said Dar in a series of tweets.

The federal minister said that the national foreign exchange reserves always include foreign exchange held with State Bank of Pakistan (SBP) and commercial banks. "Recently I quoted the forex reserves figure based on this principle," he said.

The statement comes days after the finance minister had said Pakistan's foreign exchange reserves stand at $10 billion and not $4 billion, as $6 billion held by commercial banks also belong to the country. The remarks sent shivers down the spine of depositors who felt there could be a repeat of 1998 when the government, also run by PML-N at the time, seized foreign currency funds held by commercial banks.

However, Dar categorically denied the assertion. In his recent tweets, he said "some vested elements who ruined this country's economy in the past, gave it a deliberate twist and started a campaign as if the government was considering access to foreign exchange held with commercial banks which indeed is the property of the citizens." "Therefore, said misconstrued, misinterpreted and malafide, propaganda should be ignored," he said, adding that Pakistan's forex reserves position is expected to improve in the near future.

Pakistan is facing an economic crisis with a widening current account deficit and low foreign currency reserves. This has led to the country seeking assistance from the International Monetary Fund (IMF), and other multilateral and bilateral lenders.

The foreign exchange reserves held by the central bank reached a nine-year low level of $5.577 billion as on Dec 30, 2022 compared to $5.822 billion as of Dec 23, 2022. The decline in the reserves is due to external debt repayments, the SBP said.

Pakistan secured pledges of nearly $10 billion for flood rehabilitation and reconstruction at the ‘International Conference on Climate Resilient Pakistan’ in Geneva on Monday. However, it has yet to resume its stalled IMF programme, which many believe remains the key to unlocking other funds, avoid default, and ensure some sort of economic stability.

PTA RELEASES ANNUAL REPORT ON CYBER SECURITY

ISLAMABAD: The Pakistan Mobile Communications Limited (PMCL) - Jazz has secured the highest percentage of compliance in category I (including all cellular mobile operators and large fixed-line operators with multiple licences), followed by Telenor Pakistan as runner-up with regard to critical telecom data and infrastructure security regulations.

The Pakistan Telecommunication Authority (PTA) has released its Cyber Security Annual Report for 2022 on the compliance of its Critical Telecom Data and Infrastructure Security Regulations (CTDISR). The report provides a detailed analysis of the cyber security readiness and resilience of top 15 telecom operators in Pakistan.

The Authority stated that the cyber threat landscape has significantly grown over the past decade. This has required a high-level cooperation and joint proactive effort among all stakeholders, including all telecom operators, to detect, protect and mitigate the emerging cyber threats and offensive activities, including state-sponsored attacks that would result in massive economic and reputational cost and would hinder the digital and technological growth of the nation. With cyber security receiving the central focus globally, it is imperative that all telecom operators comply with the requirements of CTDISR to protect critical telecom data and infrastructure, and stay ahead of other sectors in providing safe experience to telecom users while proactively combating against latest and advanced incoming cyber security challenges, the report noted.

The PTA conducted validation audits of top 15 operators, categorized on the basis of their size of network and license type, among other factors. According to the report, Pakistan Mobile Communications Limited (PMCL) - Jazz has secured the highest percentage of compliance in Cat-I category (this includes all Cellular Mobile Operators and large fixed-line operators with multiple licenses), followed by Telenor Pakistan as runners up.

In Cat-II, which includes medium to large operators/ISPs, RedTone has secured the highest percentage of compliance, followed by Multinet as runners up. The report includes an overall Cyber Security Index (CSI) of the telecom sector, as well as ranking of telecom operators based on their level of compliance to 16 Security Domains comprising 104 Security Controls outlined in CTDISR. The report also highlights strong and weak areas of the telecom sector and provides aggregated anonymized information about major cyber security incidents in the last year.

The Cyber Security Annual Report 2022 is based on the Cyber Security framework published by PTA in 2020 and 3rd party audits performed by PTA’s registered cyber security firms.

The PTA remains committed to securing Pakistan’s telecom sector and its users from cyber attacks by implementing robust cyber security regulations and validating these with regular audits to ensure compliance. The PTA also encourages operators to prioritize cyber security and strive for continuous improvement to ensure a cyber-resilient telecom sector for all.

MOITT FINALISES FRAMEWORK FOR MANAGING SPECTRUM DYNAMICALLY

ISLAMABAD: The Ministry of Information Technology and Telecommunications (MoITT) has finalised the draft of the first-ever framework for managing the spectrum dynamically and make it available for newer applications, such as 4G, 5G, broadband wireless access, and digital broadcasting.

Official sources revealed to *Business Recorder* that the government is likely to allocate the band of 700 MHz for adoption of 5G services in the country.

The Ministry of Information Technology and Telecommunication has evaluated the following bands for adoption of 5G services as low bands, mid bands and high bands: (a) 700 MHz; (b) 2.3 GHz; (c) 2.6 GHz; (d) 3.5 GHz; (e) MiIIi8meter wave bands; (f) C-Band (3.6-4.2) GHz and (g) Unlicensed Backhaul Frequency bands (P2P & P2MP). As per the Telecom Policy 2015 section 8.5.1, the spectrum will be reframed where its current use is not in the best social and economic interests of Pakistan, it is underutilized, used inefficiently or its use is inconsistent with international allocations. Incumbent users/licensees, as per the details of this framework, will vacate their spectrum assignments in a particular band either partially or completely so that the band may be allocated to other users. Spectrum reframing is a combination of administrative, financial and technical measures aimed at removing equipment of the existing frequency assignments either completely or partially from a particular frequency band. The frequency band may then be allocated to the same or different services.

MoITT has finalized the framework on spectrum reframing which is first of its kind prepared with recommendations from PTA, PEMRA, FAB and Industry Stakeholders after multiple consultations. Syed Aminul Haque, Federal Minister for IT & Telecommunication said the draft has been uploaded on the Ministry of IT and Telecommunication website for open consultation before approval of the Federal Cabinet. He said frequency or airwaves spectrum reframing is a process governing the repurposing of frequency bands that have historically been allocated for legacy cellular services for new generation of mobile technologies, including emerging technologies, Internet of Things & 5th Generation Technology for on ground inclusion of 4th Industrial Revolution. Haque added that in view of the increasing demand for cellular and radio communication services worldwide, emerging technologies, Spectrum reframing is considered a powerful and innovative approach to manage the spectrum dynamically so as to make it available for newer commercial applications 5G, Internet of Things, broadband wireless access and digital broadcasting.

The framework shall enable the effective utilization of the available frequency spectrum for front end and backhaul frequencies, increase potential business viability for licensees, better quality and coverage of mobile broadband services and emerging technologies including additional revenues for the national exchequer. The frame work shall enable Operators to have sufficient contiguous spectrum to support the simultaneous operation of multiple technologies in a frequency band.

Based on international developments, including but not limited to, technological trends, the vendor reports, Telecom operators' feedback, R&D landscape, survey reports and most importantly the recommendations from ITU, IEEE, ETSI, 3GPP, 3GPP2, GSMA and other standard framing bodies, PTA/PEMRA and FAB will recommend to MoIT&T the requirement to reframe any given frequency band for efficient utilization.

As per Telecom Policy 2015 section 8.5.4, federal government, through MoIT&T, will decide to reframe any spectrum and such decision will be affected through a policy directive. The policy directive shall include: a. Spectrum to be reframed e.g. 700 MHz b. Constitution of "Spectrum Reframing Committee" comprising of MOIT&T, FAB, PTA/PEMRA and incumbent user.

Federal Government may opt for any other member which it considers appropriate at that time. c. Authorization to PTA/PEMRA for hiring an independent reputed expert/consultant (if required) to carry out a detailed subject analysis and present recommendations to the Committee.

The main ToRs of the Committee/Consultant may include the following: a. Estimate the value of the re-farmed spectrum using the valuation method to be adopted (for government users only). b. To estimate the compensation cost of reframing (for government users only). c. Quantum of spectrum to be reframed in the approved band e.g. 700 MHz. d. To determine timeline for re-framing. e. Seek the input from relevant stakeholders.

Committee shall submit its final recommendations to the Federal Government through the MOIT&T within three (3) months (if 3rd party consultation is not required). If 3rd party consultation is required, then appropriate time will be added to engage the consultant.

The Committee will regularly monitor the implementation status of the spectrum reframing process as per the approved timelines. The recommendations of the Committee as approved by the Federal Government shall be binding for the incumbent user.

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