UAE TO LOAN $1BN, ROLL OVER ANOTHER $2BN

ABU DHABI: The United Arab Emirates agreed on Thursday to lend $1 billion to Pakistan and roll over an existing $2 billion loan, information minister Marriyum Aurangzeb said, offering some respite to a nation still reeling from devastating floods.

Pakistan says it suffered more than $30 billion of damage as floodwaters swept across the country from July-August. The loan announcements came as prime minister, Shehbaz Sharif, kicked off a two-day visit to the United Arab Emirates. He met UAE President Sheikh Mohammed bin Zayed al-Nahyan, and was due to discuss business and economic opportunities with other officials and business leaders, information minister Marriyum Aurangzeb said. “We share a resolve and understanding that the continuous efforts need to be made to further strengthen trade, investment and economic relations,” Sharif said in a statement from his office.

As a ninth review by International Monetary Fund (IMF) to clear the release of the next $1.1 billion tranche of funds to Pakistan has been pending since September, the external financing is crucial for the country’s broken economy. Central bank foreign reserves fell to a critical level of $5.5 billion in the week ending Dec. 30, barely enough for three weeks of imports.

The IMF and Pakistan signed a $6 billion bailout in 2019 that was topped up with another $1 billion earlier this year.

The lender wants Pakistan to take fiscal measures to meet budgetary targets, introduce reforms in power and energy sectors and review subsidies to farming and export sectors.

IMF officials met finance minister, Ishaq Dar, on Monday on the sidelines of a Geneva climate conference that made more than $9 billion of pledges for flood recovery. Dar said on Wednesday Pakistan was already working on the fiscal contingency plan to shed energy sector debt and review the subsidies.

Long-time ally Saudi Arabia has said is also considering investing $10 billion in the South Asian nation of 220 million and increasing its deposits in the country’s central bank from $3 billion to $5 billion.—*Reuters*

APP adds: Prime Minister Muhammad Shehbaz Sharif said Pakistan had great investment opportunities, and the government was taking all necessary steps to facilitate investors.

The prime minister was talking to a delegation of investors and businessmen of the United Arab Emirates (UAE), which called on him here. The delegation comprised Mohamed Hassan Al-Suwaidi, Chief Executive Officer of Abu Dhabi Developmental Holding Company (ADQ), Syed Basar Shueb, Managing Director of International Holdings Company (IHC) and others. During the meeting, the delegation was briefed with regard to geo-economic potential of Pakistan in the areas of food and agriculture, aviation, power, alternate energy including solar energy, financial services, healthcare, industry, logistics, real estate, tourism and hospitality. Mohammed Hassan Al-Suwaidi showed interest in expanding the ADQ’s global presence and readiness to explore business and investment potential of Pakistan.

ADQ is one of the largest holding companies in the Middle East region with a diverse portfolio of large enterprises covering key sectors of the non-oil economy of Abu Dhabi. The meeting was attended by Minister for Finance and Revenue Ishaq Dar, Minister for Defence Khawaja Asif, Minister for Aviation Khawaja Saad Rafique, Minister for Investment Board Saalik Hussain and senior government officers.

DEAL SIGNED WITH SFD TO FINANCE OIL DERIVATIVES WORTH $1BN

ISLAMABAD: The Saudi Fund for Development (SFD) and Pakistan, on Thursday, signed a new agreement to finance oil derivatives worth $1 billion to Pakistan. The agreement was signed by Chief Executive Officer (CEO) of SFD, Sultan Abdulrahman Al-Marshad, and Secretary Ministry of Economic Affairs Dr Kazim Niaz in the presence of Saudi Arabia and Pakistani officials.

The Ministry of Economic Affairs issued a statement that states “aimed at supporting Pakistan’s economy, sector growth, and navigating economic challenges, the strategic agreement signed comes as a continuation of the support provided by the Government of Saudi Arabia to the brotherly country Pakistan to build a sustainable economy. In 2019 and 2021, the SFD signed agreements to finance oil derivatives with a value of $4.44 billion.”

The agreement marks the latest steps taken by the government of Saudi Arabia through the SFD and the Pakistani authorities to enhance development in the country. Since the Fund's establishment, the SFD has supported more than 40 projects and programs in different development sectors valued approximately at USD 1.4 billion to finance Pakistan's energy, water, transportation, and infrastructure projects.

The Finance Ministry last month informed the Senate regarding the oil purchase agreement, while saying that the Saudi government through SFD has offered an oil facility on deferred payments worth $1 billion for 10 months. The terms of the financing include the price of purchase by SFD along with a margin of 3.80 percent per annum. The said agreement was submitted for approval of the Cabinet. As soon as Cabinet's approval was received, the agreement would be signed. Regarding the new agreement, the EAD stated that in implementation of the directives from King Salman bin Abdulaziz Al Saud, and the Crown Prince, Mohammed bin Salman Al Saud; the CEO of the SFD, Sultan Abdulrahman Al-Marshad, and the Secretary Ministry of Economic Affairs in Pakistan, DrKazimNiaz, signed an agreement to finance oil derivatives worth $1 billion to Pakistan.

Earlier, the financing agreement worth $1.2 billion for the import of petroleum products was signed in November 2021 between the SFD and Pakistan's Economic Affairs Division (EAD). Under this facility, the Pak-Arab Refinery Limited (PARCO) and the National Refinery Limited (NRL) are importing petroleum products up to $100 million per month from Saudi Arabia.

According to the official documents, the terms of the financing include the price of purchase by the SFD and a margin of 3.80 percent per annum. The EAD data shows that Pakistan imported petroleum products worth $500 million on a deferred payment basis under the Saudi oil facility during the first five months of the current fiscal year 2022-23. The country imported petroleum products worth $100 million on a deferred payment basis under the Saudi oil facility for the ninth consecutive month in November 2022, taking the total imports to $0.9 billion. Saudi Arabia also provided petroleum products worth $100 million each during March, April, May, June, July, August, September, and October 2022.

Road to self-sustainability

During the last few decades, global economies have been facing tough challenges. The recent spell started in March 2020 when Covid-19 jolted domestic and international business activities, besides taking heavy toll on human lives.

According to World Health Organization (WHO), as of January 11, 2023, there were 6,691,495 confirmed Covid-related deaths worldwide. Out of total 660,378,145 Covid cases, 270,617,844 pertained to Europe, 187,122,440 to America, 109,203,121 to Western Pacific, 60,745,674 to South-East Asia, 23,228,889 to Eastern Mediterranean, and 949,403 to Africa.

The deadly Covid-19 virus and its variants, on one hand, restricted human interaction and on the other, governments were compelled to shut down cities and businesses to curtail deadly endemic.

Resultantly, global economic growth reduced to (-)3.2% in 2020 and international trade by 5.3%, according to 'Congressional Research Service' of the United States of America [updated on November 10, 2021]. While the world was busy dealing with the deadly effects of coronavirus, the Russian invasion of Ukraine further diminished any hopes of speedy recovery from losses caused by endemic. The World Food Programme (WFP) in 'Global Report on Food Crisis: Acute food insecurity hits new heights' states that Russia's invasion of Ukraine has jeopardised global food security.

The World Bank in 'Global Economic Prospects' [January 2023] report highlights that a sharp, long-lasting slowdown will hard hit developing countries. It predicts that global growth will be reduced to 1.7% from the 3% projected six months ago—in advanced economies it is going to be further reduced to 0.5% in 2023 from 2.5% predicted in 2022. While highlighting regional outlooks, the report claims that growth rate in East Asia and Pacific may increase to 4.3% and 4.9% in 2023 and 2024 respectively. Europe and Central Asia will have slow growth of 0.1% in 2023, but it would increase to 2.8% in 2024. Latin America and the Caribbean expect growth of 1.3% in 2023 and 2.7% in 2024.

The Middle East and North Africa will witness slow growth of 3.5% in 2023 and 2.7% in 2024. South Asia will have 5.5% growth in 2023 and 5.8% in 2024. Forecasting increase in growth in all regions in 2024, the report mentions precarious economic situation with depleting foreign exchange reserves as well as large fiscal and current account deficits. For Pakistan, the report points out that the recent floods had played havoc and the damage was around 4.8% of the GDP. It says that floods affected one-third of the land area of Pakistan, damaging infrastructure and directly affecting about 15% of the population.

According to it, the flooding also damaged agricultural production equivalent to 23% of GDP and disrupted 37% of employment for the upcoming cultivating season, thus pushing 5.8 million to 9 million people into poverty.

Pakistan is already facing fiscal challenges and working with the International Monetary Fund (IMF) for the completion of its Ninth Review to overcome external financing pressures. In the recent months, the alliance government of Pakistan Democratic Movement (PDM) has tried to tighten fiscal policies and, in some cases, imposed restrictions on imports as well as export of food.

The report highlights that Pakistan has to constrict its policies more rapidly in pursuit of microeconomic stability. The biggest challenge for the PDM government is building up fast depleting foreign exchange reserves—a herculean task! Though the government is trying to manage by seeking help from friendly countries, yet nothing concrete is done to fill the gap organically. Due to aggressive policies of the government, the cost of doing business has increased and small-scale businesses are struggling for survival.

On revenue front, according to 'FBR sees Rs.1289bn tax gap for 2022' [Business Recorder, January 10, 2023], Federal Board of Revenue (FBR) has estimated tax gap of Rs 1289 billion during 2022, out of which Rs 519 billion was in sales tax, Rs 730 billion in income tax and Rs 40 billion in customs.

In its tax gap study, FBR excluded informal economy for lack of data and agriculture because of exemptions in sales tax, and income taxation, vesting with provinces. FBR missed the second-quarter target of Rs 3.673 trillion by about Rs 218 billion.

The shortfall in meeting revenue targets, besides flash floods, zero sales tax on petroleum products, contraction in imports, etc., is due to weak enforcement and capacity issues. The imprudent tax policy is also playing an important role in the current deteriorating economic condition of Pakistan.

The government has limited options to streamline the country's fiscal affairs, as the two major players (global lenders and friendly countries) are hesitant to trust us. Our relations with friendly states during the last few years have not been ideal. A country like China, known as an all-weather friend of Pakistan, is reluctant to invest further due to our erratic policies.

The incumbent Prime Minister, Shehbaz Sharif, known to be close to the Chinese, has so far failed to secure any substantial investment/debt restructuring despite his visit to China. Similarly, Saudi Arabia, another very close ally, though having announced enhanced investment in Pakistan recently, is still skeptical due to perpetual political instability in Pakistan and its imprudent foreign policy.

The IMF, the other major player and lender of last resort, is appearing quite inflexible in its conditions and fulfilment of promises made by us. The grant of unfunded subsidies and import restrictions by the previous government to get political mileage have severely shaken the IMF's trust. On assuming power, the PDM government also imposed import ban that on one hand violated the agreement with the IMF and, on the other, created difficulties for the business community even in some cases resulting in closure of businesses.

The government also agreed with the IMF that in case FBR missed the revenue target set for any quarter, it would take multiple measures to raise additional resources, that may include imposition of 17% general sales tax (GST) on petroleum products, streamlining of GST exemptions, including those benefitting exporters, enhancing taxation of sugary drinks and other undesirable items, and increase in federal excise duty on tier-I and tier-II cigarettes by at least Rs 2 per stick.

The government also committed to fully passing international oil price movements on to consumers to contain fiscal gaps and risks. As the government is looking forward to the visit of IMF's mission for the Ninth Review, all the commitments made by us earlier this year in September 2022 will come under review.

ISSUES RELATED TO FOREIGN EXCHANGE TO BE ADDRESSED SOON: SBP GOVERNOR

KARACHI: Governor of State Bank of Pakistan (SBP) Jameel Ahmad has assured the business community of resolving the issue of restrictions on dollar soon, as manufacturers projected dim prospects regarding industrial production if import of raw materials remains blocked. Speaking at a dinner hosted by Qaiser Ahmed Shaikh, the chairman of the National Assembly's Standing Committee on Finance and Revenue, here on Wednesday night, the governor urged the businesspeople to come up with practical proposals aimed at minimising their problems. He said that SBP will hold a meeting with representatives of the FPCCI and KCCI on Jan 18 to look for ways to solve the issues faced by the business community. "I am personally very worried over the situation," he remarked.

The country has limited resources, with more issues cropping up on the foreign exchange side, said the SBP governor. "We are open to suggestions from you and I assure you that we will consider them." Jameel Ahmad hoped that the situation will improve once inflow of forex will begin.

The SBP has introduced a revised scheme to solve the problems of exporters, pharmaceutical sector and importers of essential commodities after receiving their suggestions on changing and withdrawing certain restrictions placed in May and July of 2022. He made it clear that the SBP will continue to support all sectors equally to maintain a balance, keeping in mind the limited resources available. In response to a question, he replied that the SBP has instructed the banks to facilitate the import of pharmaceutical raw materials, life-saving drugs and medical equipment. Speaking on the occasion, former president of the FPCCI Zubair Tufail expressed concerns over a blanket restriction on import of raw materials, saying that the move will bring the industrial sector to a complete halt.

SENATE BODY BRIEFED ABOUT PRIVATISATION PROCESS

ISLAMABAD: The Senate Standing Committee on Privatization's meeting was held on Thursday which took up privatisation issues including a briefing by the Ministry of Privatization in light of the meeting on the Cabinet Commission on Privatization (CCOP) on the Roosevelt, New York; SME Bank, and the Services International Hotel, Lahore, and Sukkur Electric Power Company (SEPCO).

Senator Shamim Afridi chaired the meeting. Reviewing the privatisation status of the Roosevelt Hotel, the committee was informed that the government does not plan to put up the hotel for sale, but rather seeks a joint venture for prospective mixed use development as delineated in the PC Ordinance, 2000.

TORs have been sent to the Aviation Division that is pending due to a delay in the appointment of the financial advisor to key stakeholders that has been reinitiated by the Privatisation Commission. Discussing the privatisation process of the SME Bank, Ltd, the committee was informed that the CCOP considered the summary dates 24th December 2022 submitted by the Ministry of Privatisation and approved recommendations of the PC-Board in its meeting held on 25th November 2022 regarding delisting of the SME Bank from the Privatization Program.

The Finance Division and the State Bank of Pakistan (SBP) will take on the matter further. A report will be presented to the committee in the next meeting.

The committee recommended that the SME Bank may be attached with a reputed bank preferably NBP. Regarding privatisation of the Services International Hotel, the committee was informed that the report of the sub-committee that was formed by the prime minister under the chairmanship of the Minister for Privatization with representatives from the Finance Division, Law and Justice Division, and the secretary Privatization Commission, was submitted to the CCOP.

Directions were given to re-submit the report after inputs from the Law and Justice Division regarding conformity of rules and regulations of the process. The matter is pending with the Ministry of Law and Justice. Taking up the matter of the privatisation of the SEPCO, the committee was informed that nine DISCOs were part of the process including SEPCO.

The CCOP in a meeting held on 24th June 2022 directed the Power Division to write to all provinces through the Ministry of Inter-Provincial Coordination(IPC) for negotiations in buying the concerned DISCOs by respective provinces. Sindh has already begun the process of talks with the Power Division for acquiring HESCO and SEPCO. Senators Syed Muhammad Sabir Shah, Rana Mahmoodul Hassan, Anwar Lal Dean, Molvi Faiz Muhammad, and Umer Farooq, and senior officers of the Ministry of Privatization along with its attached departments and agencies attended the meeting. The meeting commenced with a review of the implementation status of recommendations made in previous meetings.

PM FORMS BODY FOR COMPREHENSIVE REVIEW OF NEPRA LAW

ISLAMABAD: Prime Minister Shehbaz Sharif has constituted a committee headed by the former prime minister, Shahid Khaqan Abbasi for a comprehensive review and legislative improvements in Nepra Act as the government is unhappy with "undue activism" of power regulator, well informed sources told *Business Recorder*.

The decision was taken at a meeting on strategic roadmap - energy sector, held on January 5, 2023 under the chairmanship of the Prime Minister. The committee also included Minister for Power, Khurram Dastgir Khan, Minister for Defence, Khawaja Asif, Minister for Commerce, Syed Naveed Qamar, Minister for Industries and Production, Syed Murtaza Mahmud, Minister of State for Finance, Dr Aisha Ghaus Pasha, Minister of State for Petroleum and Natural Resources, Dr Musadik Masood Malik. They will review "The Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (as amended up to 2021)" and suggest legislative improvements. The committee may co-opt a member/expert as per requirement.

The meeting discussed different issues related to energy conservation on the basis of presentation of Power Division. The prime minister has directed the Power Division, AEDB/Nepra RFP/bid initiation for first phase of solarisation of government buildings immediately. The cutoff date for solarisation of all buildings of federal government (under different phases) is April 30, 2023. The AEDB is tasked to ensure that relevant data may be finalised by January 15, 2023.

The Power Division has also been directed that the RFP/ bidding documents for generation of 2000 MWs of solar power on 11 KV feeders be issued immediately. The commissioning of this project shall be ensured by September 10, 2023.

On solar panels, Ministry of Industries and Production shall ensure that the policy on local manufacturing of solar panels is considered/approved by Federal Cabinet by March 31, 2023.

Minister for Finance has been directed to work out a plan for early release of solar panels stuck at ports. Forex cushion would be kept for uninterrupted import of solar equipment for the success of PM's initiative for solarisation. Ministry of Industries and Production has been directed to finalise the policy for local manufacturing of E-Bikes latest by March 1, 2023.

The MoI&P shall in consultation with Finance Division and Revenue Division decide the timeline for 100 percent production of E-Bikes and provision of allied services.

The meeting also decided the SSGC and SNGPL shall install 550,000 conical baffles in already installed geysers by October 31, 2023. Ministry of Science and Technology would ensure compliance of installation of conical baffles in all geysers currently being manufactured in Pakistan as per requirement of December 1, 2022. An implementation report would be submitted in the next conservation stocktake.

The meeting has further decided that PSQCA will amend the standard to discontinue manufacturing of incandescent bulbs. The meeting directed the concerned Ministries to communicate manufacture and sale of incandescent bulbs will not be permissible after June 30, 2023 so that the transition takes place smoothly.

The meeting also decided manufacturing of only minimum energy performance standard fans will be allowed from July 1, 2023 as already approved by the Cabinet. Ministry of Science and Technology will propose mechanism in the next meeting to discourage manufacture of energy inefficient fans.

The committee headed by Minister for BoI shall furnish progress report of its meetings with fans & bulbs manufacturers. It shall also recommend interventions for replacement of existing fans in use of lifeline electricity consumers in consultation with Power, S&T Divisions and NEECA during next stocktake. The SAPM on Government Effectiveness will give a presentation on institutional capacity of NEECA and recommendations for its further strengthening shall be considered in the next stocktake meeting.

OGRA NOTIFIES DECLINE IN PRICES OF LNG

ISLAMABAD: The Oil and Gas Regulating Authority (OGRA), on Thursday, notified a decline in the prices of LNG for the month of January in its monthly review.

The price has been worked out based on10 cargoes of LNG. Pakistan State Oil (PSO) imported nine cargoes and Pakistan LNG Limited (PLL) one cargo. The average DES price of PSO of nine cargoes was determined $ 10.9679 per mmbtu and PLL imported single cargo at $ 10.75 per mmbtu. As compared with December 2022 prices, 1.02 percent decline in prices for the SNGPL system and 2.22 percent for the SSGC's consumer has been recorded for the current month. $0.14780 per mmbtu decline for SNGPL and $0.32973 per mmbtu decline for the SSGC.

VERIFYING FINGERPRINTS OF SENIOR CITIZENS: NADRA INTRODUCES AI-BASED SOLUTION

ISLAMABAD: The National Database and Registration Authority (NADRA) on Thursday introduced an Artificial Intelligence-based solution to the problem of verifying the fingerprints of citizens of more than 60 years.

"The senior citizens will be asked AI-based secret personal questions for identity verification to bypass biometrics. Once correct answers are received, the senior citizens will be deemed to be verified, especially during biometric verification at banks," said NADRA Chairman Muhammad Tariq Malik during the launch ceremony of the "NADRA Tasdeeq service" at the NADRA headquarters. Malik said that the NADRA has received countless complaints from senior citizens that they face difficulties in verifying their fingerprints, especially in banks. In view of this, the NADRA has introduced an innovative AI-based solution, he said. He said that it is natural for people over 60 years of age to face problems in biometric matching as skin elasticity decreases with aging and fingerprints fade.

In such a situation, elderly people cannot be verified and they face grave difficulties in opening bank accounts or receiving money, he said. He hoped that the banks will conduct their Know Your Customer (KYC) exercise for senior citizens smoothly through the new solution system that will deploy AI to generate questions from the personal data stored in the NADRA database.

According to the NADRA, currently, a total of 46 banks are working in the country and this service has been initiated in five banks including MCB, Allied Bank, Bank Al Falah, Bank of Khyber, and Soneri Bank, while National Bank, Askari Bank, First Women Bank Limited, and Khushali Bank are undergoing final testing ahead of launching this service. Professor Fateh Muhammad Malik, Kishwar Naheed, Iftikhar Arif, and Anwar Masood attended the launching ceremony.

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