

GOVT READY TO DISCUSS RUPEE FREE FLOAT WITH IMF

ISLAMABAD: Pakistan on Thursday invited the International Monetary Fund (IMF) to sit on the negotiation table to sort out all 'thorny' issues, including implementing a market-based exchange rate, as it considered again slapping withholding taxes on cash withdrawals and other banking transactions as part of a 'mini-budget'.

The new planned discussion measures include further increasing the withholding tax rates on the sale and purchase of properties, according to sources.

These measures have been discussed during a meeting chaired by Prime Minister Shehbaz Sharif.

"The finance secretary has requested the IMF to send its mission to Pakistan as early as next week and shown the country's desire to negotiate on all the disputed issues," a senior minister told The Express Tribune.

The minister added that the discussions with the IMF would take place in light of the matters discussed on the sidelines of the recent Geneva conference.

Requesting anonymity, he briefly spoke on the issue after PM Shehbaz held a second meeting in the past 24 hours to finalise a roadmap to revive the IMF programme.

However, the PM's Office did not issue a press statement. It was expected that the government would at least make a formal announcement about its intention to revive the IMF programme. During the meeting, the Power Division and Federal Board of Revenue (FBR) presented revised plans to the premier for taking measures to restore the global lender's programme.

It was decided that the government would show flexibility but at this stage, the final position would not be shared with the IMF, according to another cabinet member.

Pakistan's external sector position has become precarious with only \$4.4 billion reserves left in its coffers.

There is also a realisation on the part of the government that abandoning the IMF route four months ago was a mistake and now an attempt will be made to revive the programme.

However, this realisation came only after foreign nations refused a bailout to Pakistan without the IMF umbrella.

All the international creditors have advised the government to take the IMF path.

However, in the past, the global lender refused to send its mission to the country until the government took concrete corrective measures.

Now, it has been agreed that about six to eight difficult steps will be taken including implementing a flexible exchange rate and withdrawing sales tax exemptions available on imports and local sales.

Minister of State for Finance Dr Aisha Pasha on Thursday said there were "contradicting forces".

"The government wants to insulate the ordinary citizens by putting less burden on them to as much extent as possible but the IMF programme is pulling us towards the other extreme," she added – a few hours before the start of the global lender's meeting.

She hoped that both sides would soon reach a middle ground.

"The government and the people should keep in mind that these are extraordinary times and we may have to take extraordinary steps," she added.

However, it is not clear whether or not the IMF will send its mission to Pakistan without first observing the concrete measures taken by the government to restore macroeconomic stability.

According to a senior official, a roadmap had been agreed and in due course, it would be shared with the IMF.

There has been no final decision on the quantum of the mini-budget and the increase in electricity prices, as these matters will be decided during negotiations.

The IMF has demanded that Pakistan should implement a market-based exchange rate; free control over imports; withdrawal of tax exemptions on goods it brought into the country, exports and local supplies; and an increase in taxes as well as electricity and gas prices.

It is unlikely that the IMF will come to Pakistan without having anything concrete in hand.

A cabinet member said the country now had zero credibility and that was a matter of concern for the government.

Besides, the cabinet member added it was also a reason that the IMF was seeking measures in advance.

The sources said a day earlier when PM Shehbaz asked whether or not the government should abandon its control over the exchange rate, his special assistant told him that the ministry was in favour of a strong rupee but the final decision would be that of the premier himself.

"The SBP [State Bank of Pakistan] is handling the exchange rate regime and you will see in a few days what kind of changes will be in it," said Dr Pasha while responding to a question if Finance Minister Ishaq Dar would agree to an exchange rate policy.

"We want to put less burden on ordinary citizens to as much extent as possible but we are compelled to take some measures to revive the IMF programme," Dr Pasha maintained.

"We want to impose those taxes that have the least direct impact on ordinary citizens," she added.

The sources said the FBR had proposed to reintroduce the withholding tax on cash withdrawals from banks and their transactions. Both these taxes had been abolished through the Finance Act of 2021 as part of a loan condition by the World Bank.

These taxes had led to reduction in the banking deposits, as people were reluctant to place their savings in them.

The deleted section 231A stated: "Every banking company shall deduct tax at, if the payment for cash withdrawal, or the sum total of the payments for cash withdrawal in a day, exceeds Rs50,000."

Similarly, the deleted section 231AA read that every banking company, non-banking financial institution, exchange company or any authorised dealer of foreign exchange shall collect advance tax at the time of sale against cash of any instrument, including demand drafts, pay orders, call deposit receipts, special term deposits, special drawing right, real time clearing, or any other instrument of bearer nature or on receipt of cash on cancellation of any of these instruments.

According to another proposal, the government wanted to increase the withholding tax rates on the sale and purchase of properties -- the second time in the past seven months.

During the first half of the fiscal year, there was a 319% increase in the collection of the withholding tax on sale and transfer of the properties.

The FBR received Rs33.1 billion on the sale of properties during the July-December period of the current financial year.

However, the collection on account of purchase of properties dipped by 2% to Rs40.5 billion, indicating that people were not ready to invest because of the prevailing crisis.

The World Bank has also delayed approval of loans worth \$1.1 billion and told The Express Tribune that its board would now consider a \$450 million loan in the next fiscal year.

To a question, Dr Pasha replied that if the IMF did not accept Pakistan's stance and the country was left with no other choice, then the government would have to take the measures suggested by the global lender.

"If we have to go, we will go to the IMF," she added.

Dr Pasha further said irrespective of political talk, the reality was that the kind of structural reforms the country needed would put a burden on everybody, with more on the upper class.

However, she added that the prime minister was not willing to increase the electricity prices.

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RELEASE OF LOANS TO THE TUNE OF \$1.1 BILLION TO PAKISTAN DELAYED: WB REJECTS MEDIA REPORTS

ISLAMABAD: The World Bank (WB) has stated that the media reports claiming that it has delayed the release of loans to the tune of \$1.1 billion to Pakistan are unfounded.

The Bank Country Director for Pakistan, Najy Benhassine, tweeted, "the press reports that refer to a World Bank decision to delay approval of potential Bank operations in Pakistan are unfounded. The tentative Board approval dates of all of our proposed operations, as well as their amounts, are indicative. The World Bank decides on the timing for sharing project proposals for Board consideration following due process and based on the proposed projects' readiness".

NEED FOR NATIONAL PLAN STRESSED AT CONFERENCE: FINANCIAL SECTOR CAPABLE OF PROVIDING RIBA-FREE SERVICES TO ALL: SPEAKERS

KARACHI: The financial sector is capable of providing Riba-free services to all segments of society and a national strategy and political will is required to implement the Federal Shariat Court's (FSC) judgement on the matter, said speakers during a conference titled "Implementing the FSC Judgement on Riba: Addressing the how".

The conference was jointly organised by the Institute of Policy Studies (IPS), Institute of Business Administration's Centre for Excellence in Islamic Finance (IBA-CEIF), and Centre of Islamic Economics — a division of the Jamia Darul Uloom, Karachi — at the IBA City Campus.

The conference was addressed by Ahmed Ali Siddiqui, the director of IBA-CEIF, Omar Mustafa Ansari, the secretary general of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), Mufti Irshad Ahmad Aijaz, the chairman of Shariah Advisory Committee, State Bank of Pakistan and Securities and Exchange Commission of Pakistan; Farrukh Raza, the CEO of Islamic Finance Advisory and Assurance Services (IFAAS) Group; Dr Imran Usmani, vice chairman of the Shariah Supervisory Board, Meezan Bank; and Khalid Rahman, the chairman of IPS. The speakers said that it is the religious and constitutional duty of all the stakeholders to help formulate a roadmap for conversion of the existing financial system of the country to a Riba-free one, in line with the injunctions of Islam, and implement the same accordingly.

Therefore, all sectors of the government dealing with borrowing, external debts, the banking sector, the non-banking sector, the capital market as well as the legal and regulatory frameworks need to bring about changes at the strategic and operational levels, they added.

The experts were of the opinion that all the financial and related sectors already have the capacity to convert the existing non-Islamic procedures into Islamic standards by reinforcing appropriate ways and means to implement the FSC's judgement.

The speakers also emphasised that the federal government should devise a conversion policy with yearly targets and proper monitoring of all the sectors. This national-level strategy must be developed with the consensus and inclusion of all the stakeholders to ensure coordination and commitment to Shariah-compliant guidelines.

The government should also create an enabling environment by consulting all the related organisations, introducing educational reforms, and taking capacity-building measures for officials. Along with the national-level strategy and policy, sector-wise planning is also needed.

Fintech, combined with tools of Islamic social finance, can provide solutions to challenges of financial inclusion through increased access to credit, financial safety nets, consumer protection, crowdfunding models, and microfinance and entrepreneurship development. The tools like the qard-e-hasana model, micro-takaful, waqf, zakat, and sadaqat can also ensure economic justice within the system.

The speakers laid out aspects foundational to bringing about the required changes in the system: a vision that is shared and supported by all the stakeholders and trusted by the people. Also required are political willingness and a sense of ownership; defined targets and processes coupled with an action plan and resources; legislation and comprehensive regulatory supervision and its implementation; good governance; capacity building; and system's development through technology and infrastructure building. Just as a lack of awareness and trust among people with regard to change weakens advocacy for the cause, therefore, maintaining communications at all levels to create awareness and consciousness among people is equally important for achieving the goals of a Riba-free economy, said the experts.

SBP MAY HIKE RATES BY ANOTHER 100BPS TO TAME INFLATION

KARACHI: State Bank looks set to raise its key policy rate by 100 basis points to 17% at its review on Monday as it struggles to rein in persistently high inflation, according to the median estimate in a *Reuters* poll.

Eighteen of the 22 economists and market watchers surveyed said there would be a hike — 14 of them predicted 100 basis points (bps), three expected 200 bps, and one 150 bps. Four respondents expected rates to remain unchanged.

In its last policy meeting in November the bank unexpectedly pushed up the rate by 100 bps to 16%. It has raised rates by a total of 625 bps since January 2022.

The government is also looking to slow import-led consumption to preserve falling foreign exchange reserves in the face of a stalled bailout programme from the International Monetary Fund. “With the rising inflationary trend alongside the same trend in core inflation and expected pressure amid fiscal adjustments prior to the resumption of the IMF program, SBP is expected to increase the policy rate by 1%,” said Tahir Abbas of Karachi-based brokerage firm Arif Habib Limited.

Policymakers are facing turmoil in the \$350 billion economy and a sharp fall in reserves, which at \$4.3 billion are not enough to cover even one month of imports. The disbursement of IMF funds has been delayed on account of Pakistan's struggles to implement reforms.

The Consumer Price Index (CPI) rose 25% in the first half of financial year 2023, which started in July. Despite cooling global energy prices, inflation has remained high and core inflation - non-food, non-energy - has also crept up, the State Bank of Pakistan said in November.

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FINANCIAL SECTOR EQUIPPED TO OFFER RIBA-FREE SERVICES: EXPERTS

KARACHI: It is everyone's religious and constitutional duty to develop and carry out a plan for converting Pakistan's financial system to one that is free of riba in accordance with Islamic law, experts said at a seminar. All sectors of government borrowing, external debts, the banking sector, the non-banking sector, the capital market, as well as legal and regulatory framework, need to bring changes at strategic as well as operational levels.

This was underscored during a session titled “Implementing the FSC Judgment on Riba: Addressing the How”, jointly organised by the Institute of Policy Studies (IPS), IBA-CIEF (Institute of Business Administration's Centre for Excellence in Islamic Finance), and Centre of Islamic Economics (A division of Jamia Darul Uloom, Karachi) at the IBA City Campus on Wednesday.

The session was addressed by IBA-CEIF Director Ahmed Ali Siddiqui, Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) Secretary General Omar Mustafa Ansari, Chairman of the Shariah Advisory Committee of the State Bank of Pakistan and Securities and Exchange Commission of Pakistan, Mufti Irshad Ahmad Aijaz, Islamic Finance Advisory & Assurance Services (IFAAS) Group CEO Farrukh Raza, Meezan Bank Shariah Supervisory Board Vice Chairman Dr Imran Usmani, and IPS Chairman Khalid Rahman.

The experts highlighted that all of these financial and related sectors already have the capacity to convert existing non-Islamic procedures and means to Islamic standards by reinforcing the appropriate ways and means to implement the Federal Shariat Court judgment.

The speakers further emphasised that the federal government must devise a conversion policy with yearly targets and proper monitoring of all sectors. This national-level strategy must be developed with the consensus and inclusion of all stakeholders to ensure coordination and commitment to Shariah-compliant guidelines.

The government should also focus on creating an enabling environment by consulting all related organisations, introducing educational reforms, and taking capacity-building measures for officials. Along with that, national-level strategy and policy, sector-level planning is also significant.

Fintech, combined with tools of Islamic social finance, can provide solutions to challenges of financial inclusion through increased access to credit, financial safety nets, consumer protection, crowd funding models, and microfinance and entrepreneurship development. These tools like the qard-e-hasana model, micro-takaful, waqf, zakat, and sadaqat, can also create economic justice in the system.

The speakers laid out aspects foundational to bring the required change in the system: a vision that is shared and supported by all stakeholders and trusted by the people; political willingness and sense of ownership; defined targets and processes coupled with an action plan and resources; legislation and comprehensive regulatory supervision and its implementation; good governance; capacity building; and, system development through technology and infrastructure building. As the lack of awareness and trust in people with regards to change weakens the advocacy for the cause, therefore, maintaining communications at all levels to create awareness and consciousness among people is equally important towards achieving the goal of a riba-free economy, it was highlighted. They called for the need to keep talking about it at all levels and in all capacities to delineate that the Islamic financial system can provide solutions to economic problems, deliver justice, and fill the gaps and human needs.

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LCs FOR ADDITIONAL MINING EQUIPMENT: SECMC SEEKS SBP'S APPROVAL

KARACHI: Sindh Engro Coal Mining Company (SECMC) has sought State Bank of Pakistan (SBP) approval for establishing LCs for the additional mining equipment.

In a letter to the Secretary of Energy Department, Government of Sindh, the company has asked for support regarding SBP's approval for LC opening. "We need approval for the opening of our regular LCs to ensure continuous supply of tyres and spares parts for our mining equipment," stated in a letter. Any delay in importing equipment will have a direct impact on the timing and the cost of the Phase-III project.

The letter mentioned that on December 27th last year the SBP had issued a circular to withdraw the restrictions on imports pertaining to HS Code Chapter 84 and 85 and directed the banks to prioritize the imports related to coal for power projects. However, there was a significant delay in the approval of opening of letter of credits thus mine operations are severely impacted. "We are also incurring demurrage charges, liquidated damages, and penalties due to delay in approvals which results in reputational damage and additional cost," the letter stated.

The SECMC is producing the cheapest fuel for power generation in the country and providing 7.6 million tons of local coal per annum to three IPPs based in Thar. The integrated CPEC project is playing a pivotal role in resolving the crippling foreign exchange challenge being faced by Pakistan. If mine doesn't operate for a month, it will increase the net fuel-based import bill of Pakistan by approximately USD 40 million (for three IPPs).

In addition to operations the company is also initiating the mine expansion project so that IPPs currently operating on imported coal can be converted to local coal, hence reducing the forex burden further. "Our total estimated value of imports (equipment and spares) for the coming year is approximately USD 65 million and services are approximately USD 35 million," it highlighted.

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BANKS TO DISBURSE RS56B FOR FARM MECHANIZATION: COMMITTEE WAS INFORMED THAT BANKS HAVE ACHIEVED 45% OF FINANCIAL TARGET OF THE PRIME MINISTER'S KISSAN PACKAGE

ISLAMABAD: State Bank of Pakistan (SBP) Deputy Governor Seema Kamil has said commercial banks will soon start disbursing Rs56 billion for farm mechanization. It was discussed in a meeting of the committee formed by Prime Minister Shehbaz Sharif to improve the production of agriculture.

The meeting was presided by Federal Minister for Food Security and Research Tariq Bashir Cheema.

The PM had constituted the committee to suggest measures to improve agricultural production and review measures for availability of quality seeds, inputs and farm machinery.

Kamil told the committee that the banks have achieved 45% of the financial target of the Prime Minister's Kissan Package. He further said that Rs444 billion has been disbursed for the purpose of agriculture and Rs401 billion for livestock, benefiting 3.2 million farming households.

Minister for Food Security and Research Tariq Cheema said that this forum provides an opportunity to comprehensively review the agricultural sector and find ways to improve its production. He added that all efforts should be made to improve the agriculture sector and bring our farmers on a par with their international counterparts.

Cheema said that he will brief the PM on the recommendations of the committee.

Food Security Commissioner Wasimul Hasan told the panel that per acre production of progressive farmers in Pakistan is higher than the national average. He added that tractors, cultivators, disc harrows, rotavators are used in almost every crop.

Secretary National Food Security and Research Zafar Hasan said that the ministry has extensively worked on 'track and trace' of seed bags. He hoped that it would become operational within 3 months and help improve seed quality and availability.

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PSQCA BLAMED FOR 'STOPPING CREATION OF NEW INDUSTRY'

ISLAMABAD: The Pakistan Standards Quality Control Authority (PSQCA) in its eagerness to generate revenue, is losing out a golden opportunity to develop its own industry.

The Pakistan Automotive Manufacturers Association (PAMA) had brought the issue of international standards adaption for making helmets to the attention of the then minister of Science and Technology through its letter dated August 9, 2021, and reminders thereafter. A meeting was called and minutes were issued but the issue was once again shelved. Now international standards have been adopted and a summary sent to the Cabinet for approval for making these standards mandatory.

According to official documents, a letter on January 16, the PAMA has shared copies of previous correspondence with the DG PSQCA with copies to the secretary commerce, the secretary industry, and the CEO EDB, bringing to attention the commitments on record.

The minutes of the meeting dated September 13, 2022, which was chaired by the additional secretary MoST, clearly recorded decision as "Participation of PAMA members in the National Standard Committee (NSC) meeting will be ensured." No meeting was called after that and the decision taken in the meeting was completely ignored.

Industry sources are of the view that this has resulted in arbitrary decision making and now such standards have reportedly been forwarded to the Cabinet for adoption that will take away a big opportunity from the entrepreneurs of the country to start an industry that has real potential for exports. On the contrary, the adoption of international standards will result in more imports by Pakistan. Such an ill-advised proposal has been made possible by excluding real stakeholders from participating in the discussion and decision-making process.

Industry maintains that the PSQCA's irresponsible attitude has already forced out hardcore manufacturing from Pakistan. The generator business by Siemens of Germany which employed around 1,000 technically qualified, highly-paid engineers was closed down just because this world-renowned company could not manage the red tape of the PSQCA. On the other hand, in our neighbouring country, many industries have mushroomed because of the highly positive attitude of their standards formulation and implementation body. Hundreds of tyre manufacturers and the whole auto industry that are now competing with the world are only two examples of a highly successful industrial structure that has succeeded on the foundation of localised standards.

CPPA-G SEEKS FCA OF RS2.20/UNIT FOR DEC 2022

ISLAMABAD: Central Power Purchasing Agency-Guaranteed (CPPA-G) has sought negative adjustment of Rs2.20 per unit in Discos' tariffs for December 2022 under monthly Fuel Charges Adjustment (FCA), National Electric Power Regulator Authority (Nepra) will hold a public hearing on January 30, 2023 on CPPA-G's request of adjustment in Discos' tariffs.

According to data submitted to Nepra, in December 2022, hydel generation was 1,720.43 GWh constituting 20.44 percent of total generation.

Power generation from coal-fired power plants was 1,521 GWh in December 2022 which was 18.07 percent of total generation at a price of Rs11.50 as price of imported coal has decreased due to use of Afghan coal which is cheaper than South African coal.

Generation from HSD was nil whereas generation from RFO was just 38.91 GWh (0.46 percent of total generation) at Rs25.80 per unit.

Electricity generation from gas-based power plants was 1,273.80 GWh (15.13 percent) at Rs10.5 per unit. Generation from RLNG was 1,153.73 GWh (13.71 percent of total generation) at Rs20.21 per unit.

Electricity generation from nuclear sources was 2,284.86 GWh at Rs1.0726 per unit (27.15 percent of total generation), and electricity imported from Iran was 39.85 GWh at Rs21.5555. Nepra is approving the cost provisionally because the agreement between Pakistan and Iran has expired.

Power generation from different sources (mixed) was 2.18 GWh at a price of Rs3.2781 per unit; generation from biogas recorded 101.09 GWh at Rs5.9731 per unit. The energy generated from wind recorded at 211.57 GWh, 2.51 percent of total generation and solar at 69.46 GWh, 0.83 percent of total generation in December 2022. The total energy generated recorded at 8,416.81 GWh, at a basket price of Rs7.0441 per unit. The total cost of energy was Rs59.289 billion.

CPPA-G also sought negative adjustment in supplemental charges of over Rs611 million, FCA cost of which has been calculated at Rs0.0726 per unit. The sale to IPPs was also reduced by 37.83 GWh, the price of which was Rs1.029 billion at Paisa 27.21 per unit while transmission losses were recorded at 282.10 GWh, price of which was Rs0.2397 per unit.

According to the CCPA-G data, net electricity delivered to Discos in December 2022 was 8,096.88 GWh at a rate of Rs7.1198 per unit, total price of which was Rs57.648 billion. CPPA-G in its tariff adjustment request maintains that since the reference fuel charges for December 2022 were estimated at Rs9.3193 per unit whereas the actual fuel charges were Rs7.1198 per unit, hence a negative adjustment of 2.1995 per unit has been sought for the month under FCA mechanism.

BANK ACCOUNTS: SBP ADVISES BANKS TO FACILITATE MOSQUES

KARACHI: The State Bank of Pakistan (SBP) has advised banks to facilitate mosques (Masajid) in opening of bank accounts after fulfilling applicable requirements. According to SBP, various stakeholders have raised concerns regarding non-provision of banking services to mosques (Masajid), particularly opening of their bank accounts, on various pretexts, which is against the objective of financial inclusion and documentation of economy.

Accordingly, SBP has advised the banks and MFBs to refrain from any discriminatory behaviour, and facilitate Masajid in opening their bank accounts after fulfilling applicable requirements as stipulated in Trust, Societies and Associations categories, NGOs/ NPOs/ charities. Moreover, banks and MFBs guide their unregistered prospective Masjid customers to get themselves registered under the relevant category. In addition to the above, the maximum Turn Around Time (TAT) for decision to open or decline Masjid account shall be five (05) working days from the date of completion of all legal and regulatory requirements.

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