PRESIDENT APPROVES SOES (GOVERNANCE AND OPERATIONS) BILL, 2022

ISLAMABAD: President Dr Arif Alvi on Monday accorded assent to the State-Owned Enterprises (Governance and Operations) Bill, 2022. The president gave the assent under Article 75 of the Constitution on the advice of the prime minister, a press release issued here by the President House's Media Wing said.

R 31-1-2023

IMF PACKAGE IS NO PANACEA, REFORMS NEEDED, EXPERTS SAY

WASHINGTON: As Pakistan anticipates the arrival of the International Monetary Fund's team to revive the stalled loan programme, experts have said the visit only offers a glimmer of hope with more robust reforms needed to stabilise the ailing economy. Former heads of the State Bank of Pakistan (SBP) and Federal Board of Revenue have delineated reasons for economic instability and proposed 'the way out'.

The former SBP acting governor, Murtaza Syed said the IMF team's arrival offers a glimmer of hope that Pakistan will be able to stave off default. In an OpEd published in an English daily on Monday, Mr Syed said in March 2021, Pakistan had managed to resume the loan programme and received global acclaim for its management of the Covid-19pandemic. "Growth had picked up strongly while government debt had fallen by 6.5[per cent] of GDP, the current account was virtually balanced and foreign exchange reserves had increased by almost 50[pc] to $17 billion," he wrote.

Despite these achievements, he added Pakistan's growth model remained consumption- and imports-driven, with tax and exports forming a paltry share of GDP. He argued troubles began with a hyper-expansionary budget in 2022, launched with the conviction that growth would solve all of Pakistan's problems, but it did not. He said Pakistan could have approached the IMF early last year, when foreign exchange reserves were in a much stronger position.

Former SBP governor Raza Baqir said global lenders like the IMF must step up and improve the framework for sovereign debt financing to help emerging economies out of debt distress. Mr Baqir, who is currently the global head of sovereign advisory services at Alvarez & Marsal, said Sri Lanka was still waiting for debt relief from the IMF to rescue it from dire economic conditions. He noted the outlook for emerging markets, like Pakistan, "has deteriorated very sharply" over the past two years despite some recent improvement in appetite. "The key reason is the rapid rise in public debt," he told *CNBC* on Monday.

Former FBR chairman Shabbar Zaidi said "the nervous system of the Pakistani economy has become dysfunctional" as a result of the insatiable "desire for status quo." Mr Zaidi proposed a "financial emergency" for 15 years during which a consistent "pro-Pakistan and pro-poor" plan should be laid out." He also called for abrogating free trade agreements with China, Turkiye, Sri Lanka, Indonesia, Malaysia and other countries. He suggested bringing retailers and wholesalers into the tax net and identifying ownership of each house and plot."Withdraw all leases of agricultural land. No patta system in agriculture. Open trade with India. Start work on the Turkmenistan-Afghan-Pakistan-India gas pipeline," he wrote in a series of tweets.

Dawn 31-1-2023

GOVT OFFERS ITS SOE STAKES TO 2 UAE FIRMS

ISLAMABAD: The government has reportedly offered its stakes in five top State Owned Entities (SOEs) to two top companies of the United Arab Emirates (UAE), well informed sources in Finance Division told ***Business Recorder***.

The SOEs whose shares have been offered to key UAE entities are Oil and Gas Development Company Limited (OGDCL), Pakistan Petroleum Limited (PPL), National Bank of Pakistan (NBP), Pakistan International Airlines (PIA) and Pakistan National Shipping Corporation (PNSC). According to sources, during the recent visit of Prime Minister Shehbaz Sharif to UAE on January 12-13, 2023, it was inter alia discussed with the UAE leadership regarding more market access for Pakistani products and UAE investment in Pakistan's public sector entities.

The sources said Prime Minister in his engagement with heads of the economic entities in UAE including Abu Dhabi Development Holding Company (ADO) and International Holdings Company (IHC) invited their investment in National Parks Management Company Limited (NPPMCL), solar power projects, airport management of Karachi, Lahore and Islamabad and equity in five SOEs.

The sources maintained that both entities hold investment funds portfolio of $ 300 billion and have showed interest in investing in profitable public entities in Pakistan. Prime Minister Shehbaz Sharif was due to discuss operationalization of $1 billon financing facility from UAE, with the UAE President Sheikh Mohamed bin Zayed Al Nahyan on Monday but his visit to Islamabad was postponed at the eleventh hour due to bad weather.

Finance Ministry has shared update on operationalization of newly announced $1 billion financing facility offered by UEA. During the recent visit of Prime Minister Shehbaz Sharif the UAE pledged $1 billion new loans besides agreeing on rollover of existing loan of $2 billion aimed at helping Pakistan deal with the economic crisis. The amount; however, is yet to be transferred to Pakistan.

Commerce Ministry has shared an update on proposed Comprehensive Economic Partnership Agreement (CEPA) between Pakistan and UAE which will help enhance economic and trade cooperation. Pakistan is expecting bilateral trade will increase to $10.6 billion. Aviation Division, sources said, has shard its viewpoint on permission to land A-380 at Islamabad airport and transfer of management of airports to UAE. Both issues were discussed between Pakistan and UAE during the visit of Prime Minister to Dubai. Finance Division is now again dealing with remaining payment by M/s Etisalat held up due to controversy on legal status of properties. Finance Minister Ishaq Dar who accompanied the Prime Minister during his visit to UAE is coordinating with M/s Etisalat.

Power Division has shared update on PM's solar initiatives, according to which the government intends to generate 10,000 MWp to replace existing expensive generation. Initially, a 600 MWp plant has been envisaged in Muzaffargarh.

GETTING DAHARKI POWER SHARES: ECC ALLOWS FF $2.9M EQUITY INVESTMENT

ISLAMABAD: Economic Coordination Committee (ECC) of the cabinet has allowed Fauji Foundation (FF) equity investment of $ 2.9 million for acquisition of 2,750,000 shares (18.64 per cent) of Daharki Power Holdings Limited BVI, sources in Finance Ministry told *Business Recorder*. According to Finance Division, State Bank of Pakistan (SBP) forwarded the request of M/s Fauji Foundation through Askari Bank Limited, to seek approval of acquisition of 2,750,000@ shares (18.64% stake) of Daharki Power Holdings Limited, BVI, under 'Put option' exercised by Asian Development Bank (ADB), against remittance consideration of$ 4.9 million.

The ECC on SBP's recommendation approved FF's request to make equity investment abroad of $ 12 million in the offshore company Daharki Power Holding Ltd, BVI (DPHL) on April 22, 2008. Fauji Foundation, Asian Development Bank and Daharki Power Holdings Limited, BVI entered into a Put Agreement on April 24, 2018, amended later on in September 2008, which provided ADB the right to exercise Put Option in respect of 2,750,00 on shares subscribed by it. As per FF, ADB served the Put Notice for $ 19.250 million; however, FF negotiated the amount of $ 4.9 million for the benefit of the company. FF had submitted an auditor's certificate for break-up value of shares in which break-up value of DPHL, as per management accounts of December 2021, was $2.53 per share. To liberalize and deregulate the country's economy, the federal cabinet in its meeting held on May 16, 2001 allowed equity-based investments abroad by resident Pakistani companies on the basis of set criteria which states that cases of private sector would be dealt by the SBP and decided by the ECC, but was later amended by the ECC on January 20, 2021 providing waiver/ exemption and regularization of the cases under Category-C of the approved policy, to be decided by the SBP or ECC with the stipulation that SBP would grant waiver/ exemption/ regulation to the residents for their investment up to $ 10.00 million, whereas cases in excess of $ 10.00 million will be submitted to the ECC.

The sources said, State Bank of Pakistan argued that as per sub-para (i) of Category-C of the policy, Chapter 20 of Foreign Exchange Manual (FEM)), Fauji Fertilizer being incorporated as a trust under Charitable Endowment Act 1980, did not meet the requirement of provision of FEM and would require approval of ECC to waive off the provision of the policy.

SBP was asked to clarify under which rule the said waiver was being sought from ECC. SBP clarified that the policy had been incorporated under Chapter 20 of FEM in terms of ECC decision of January 20, 2021; hence, any waiver from the policy would also require approval of ECC. Furthermore, the cumulative investment of Fauji Foundation in DPHL exceeding $ 10 million (i.e., USD 12 million earlier, and $ 4.9 million now), also require approval of ECC.

Finance Division noted that the instant case of FF did not need/ require approval from ECC, being an investment of $ 4.9 million, in the light of ECC decision of January 20, 2021 and the case should be decided by SBP at their end.

However, SBP considered it a cumulative investment in continuation of earlier investment of $ 12 million allowed by ECC in its decision of April 22, 2008, bringing total investment by FF to $ 16.9 million for acquiring 2.750 million remaining shares of Daharki Power Holdings Limited under Put Option exercised by Asian Development Bank.

Upon acquisition of 2.750 million shares of DHPL, Fauji Fertilizer would liquidate DPHL on final payment of loan due in June, 2023 and repatriate the liquidated proceeds to Pakistan.

Finance Division, sources said, requested the ECC to allow Fauji Foundation for equity investment of $ 4.9 million for acquisition of 2,750,000 shares (18.64% stake) of Daharki power Holdings Limited and also grant waiver/ exemption to Fauji Foundation from the policy enumerated in Foreign Exchange Manual (chapter 20), being incorporated as a trust under charitable Endowment Act 1980. Moreover, any investment abroad by residents under the said policy in continuation of earlier investment with the approval of concerned forum would be considered as a cumulative investment and would require approval of ECC in case investment exceeds $ 10 million in total.

The sources said ECC has approved the proposal of Finance Division allowing Fauji Foundation (FF) equity investment of $ 2.9 million for acquisition of 2,750,000 shares (18.64 per cent) of Daharki power Holdings Limited BVI. However, the ECC decision is yet to be ratified by the Federal Cabinet.

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CDNS ATTAINS RS760BN THROUGH FRESH BONDS

The Central Directorate of National Savings (CDNS) on Monday realized the target of issuing Rs 760 billion in fresh bonds in the current fiscal year 2022-23 from July 1 to January 25, 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 31-1-2023

REVISED RFP: AEDB SEEKS APPROVAL FROM NEPRA

ISLAMABAD: The Alternative Energy Development Board (AEDB), an arm of Power Division, has sought approval of revised Request for Proposal (RFP) from National Electric Power Regulatory Authority (Nepra) drafted on the basis of amendments recently approved by the Economic Coordination Committee (ECC) of the cabinet.

In a letter to Registrar Nepra, Director (Policy/ IC) AEDB, Syed Aqeel Hussain Jafri referred to AEDB’s letter dated November 21, 2022 whereby the former submitted Request for Proposal for competitive bidding of 600-MWp solar PV project at Muzaffargarh along with Security Package Documents (SPDs) comprising an Implementation Agreement (IA) and an Energy Purchase Agreement (EPA) for approval and determination of the benchmark tariff.

AEDB, in its letter had informed the Authority that Economic Coordination Committee of the Cabinet, in its meeting held on November 14, 2022, had approved the SPDs subject to the following:

(i) the new payment mechanism proposed under the Security Package Agreement (SPAs) for settlement of invoices through bank debit from a dedicated solar account to be maintained by the purchaser be deleted and replaced with the standard payment mechanism given under the earlier ECC approved agreements; and

(ii) the tariff will be indexed annually rather than quarterly based on exchange rate variation (USD/ PKR).

Accordingly, AEDB made the necessary amendments in its RFP and SPDs to make them consistent with the decision of the ECC which were submitted to the Authority in the letter of November 21, 2022.

The AEDB further noted that the ECC, in its meeting held on January 17, 2023 while considering its decision approved the following for incorporation in the standardized SPDs approved by the ECC on November 14, 2022: (i) 70 per cent of the total tariff will be annexed on quarterly basis with exchange rate variation (USD/ PKR) ; and (ii) in addition to the GoP guarantee, the payment under the EPA will be ensured on 60th day after invoice through bank debit from a dedicated solar account to be maintained by CPPA-G.

The AEDB has requested Nepra to process the approval of the RFP and determination of the benchmark tariff in light of the recent decision of the ECC. The revised RFP along with the SPDs incorporating the necessary amendments to make them consistent with the ECC decision has also been shared with the regulator.

LCs: STEEL SECTOR SAYS FACING DIRE SITUATION

ISLAMABAD: The steel industry is facing a critical situation as the State Bank of Pakistan (SBP) is still not opening Letters of Credit (LCs), leading to the closure of numerous steel businesses and widespread job losses. According to Pakistan Association of Large Steel Producers (PALSP), Secretary General, Wajid Bukhari, the delay in opening of the LCs has caused a severe shortage of raw materials, leading to production delays and financial losses for companies. According to industry estimates, the steel sector in Pakistan employs over 200,000 people directly and has an annual production capacity of over 5 million tons.

However, the crisis has forced many steel companies to reduce production or even shut down operations. This has led to joblessness and a drastic decline in the steel industry contribution to the country's economy.

Secretary General PALSP stated that it is estimated that a total of approximately 7.5 million jobs are at stake because if there is no steel we will witness the subsequent closure of cement and all construction allied industries within a few weeks. Even during COVID-19, Steel industry was categorized as an essential industry.

The SBP is reportedly not opening LCs due to a shortage of foreign currency reserves, leading to delays in the import of essential raw materials such as scrap steel and additives to manufacture steel indigenously. In addition, the shortage of raw materials has led to a significant increase in the prices of steel products, making them unaffordable for many consumers. Steel bar prices have surpassed Rs275,000/ton but if the shortage persists, experts believe that the prices can easily cross Rs300,000/ton.

The steel industry is calling on the government and the SBP to take immediate and drastic action to resolve the crisis. They are demanding that the SBP open LCs at a curtailed level declared through a policy or circular as soon as possible to ensure the timely import of raw materials and the continuation of production. They also urge the government to provide significant financial assistance to the industry to help mitigate the catastrophic losses caused by the crisis. All major sectors, including food, textile, pharmaceuticals, chemical, machinery, steel, plastic and automobile are suffering from the decline in production. It is being said that currently 5,700 containers are stuck at the ports but in reality, the number is even higher than 9,000. Apart from that, detention charges of $160 million and demurrages of Rs250 million have already been imposed.

The steel industry is in dire straits, and the inability of the State Bank to open LCs is pushing our members to the brink of collapse said PALSP Secretary General, Bukhari. We urgently call on the government and the SBP to take immediate action to resolve this crisis and ensure the survival of our operations. "We need a circular to be issued effective immediately, allowing the manufacturers to import raw materials, albeit at curtailed levels," PALSP added.

COMPANIES (REGISTRATION OFFICES) REGULATIONS, 2018: SECP NOTIFIES DRAFT AMENDMENTS

ISLAMABAD: The Securities and Exchange Commission of Pakistan (SECP) has reduced the processing time for disposal of 28 different types of matters of companies by the SECP officials in the field formations.

The SECP on Monday issued an SRO 66(I)/2023 to notify the draft amendments to the Companies (Registration Offices) Regulations, 2018. The comparison of the old and revised regulations revealed that the SECP has considerably reduced the time period for the processing of documents filed electronically by the companies. Prior to amendments, there was a uniform time period for processing of documents filed electronically or manually by the companies.

Time frame for the disposal of various matters has been revised to improve the efficiency of the SECP officials working in the field formations, the SECP officials said. For example, the application for issuance of certificate of registration of documents filed by a foreign company has to be processed by the SECP officials in four hours.

According to the new time frame for the disposal of various matters issued by the SECP on Monday, the officials have to process the application for reservation of name within four working hours.

The SECP officials are bound to incorporate companies (Subject to adoption of standardized Memorandum and Articles of Association) within four working hours.

The conversion of the status of a private company to a public company would be done within two days in case the documents are submitted electronically. In case the documents are submitted in physical form, the SECP officials should convert the status of a private company to a public company in six-day period.

The SECP should mortgage or charge in one day after submission of documents electronically. If the documents are submitted manually, time for processing of the said document is three days. In case the documents are submitted electronically, the SECP officials within one day have to grant extension in period for holding AGM and laying therein financial statements - a public unlisted company or a private company. For manual cases, the time period is 3 days for grant of extension in period for holding AGM and laying therein financial statements.

The application for obtaining the status of an inactive/active company has to be processed in three days period in case of electronic submission of applications. In case application is filed manually, the time period is nine days for the application for obtaining the status of an inactive/active company.

The application for inspection of documents kept by the Registrar has to be processed in one hour in case the application is filed electronically. For manual applications, the time period for processing of documents is two days.

SENATE PASSES TWO ‘PRIVATE’ BILLS INCLUDING FACTORIES (AMENDMENT) BILL 2022

ISLAMABAD: The upper house of the parliament, Monday, passed the Factories (Amendment) Bill 2022 and the Federal Universities (Amendment) Bill 2022—both moved by Seemee Ezdi from Pakistan Tehreek-e-Insaf (PTI). The two private-member bills were earlier passed by the relevant standing committees.

The Factories (Amendment) Bill 2022 aims to amend the Factories Act 1934 to bar the factory owners from “throwing any amount of untreated wet waste directly into the rivers.”

The statement of objects and reasons of this bill states, “In our country, rivers are being polluted at an alarming speed. Almost all factories in Pakistan mainly comprised of food and beverage, textile, crockery, paper printing, cement, publishing, chemical, rubber and leather products have been releasing a diverse range of untreated waste into their nearby natural drains.

Wastewater treatment is necessary for allowing it to mix with other water bodies that are used for irrigation, drinking and other purposes.”

Only eight per cent of the country's total municipal wastewater and one per cent of the industrial wastewaters are treated before they are discharged into the rivers, the statement says. "Such pollutants have very long-lasting effects on the sustainability of local ecosystems and pose a serious threat to human health. Industrial wastewaters contain many hazardous organic compounds and inorganic compounds like heavy metals which can cause damage to delicate aquatic ecosystems," it adds.

The bill proposes relevant amendments in the existing law "so that individuals and factory owners may be stopped from throwing any amount of untreated wet waste directly into the rivers."

The Federal Universities (Amendment) Bill 2022; another bill passed by the house moved by Ezdi, seeks amending the Federal Universities Ordinance 2002. It provides for making the mandatory internships part of the curriculum in all the disciplines of federal universities. "Internships are beneficial because they help develop one's professional aptitude, strengthen personal character, and provide a greater door to opportunity. By investing in internships, one gives himself the broadest spectrum of opportunity when seeking and applying for a job after college or university," reads the statement of objects and reasons of the bill.

The bill seeks amendments in the existing law aiming at "providing powers to the academic council to prioritise a practical learning, requiring all students to partake in some sort of internship experience. This will give students options to get experiential learning opportunity that offers an invaluable edge before they even graduate."

Meanwhile, different senators, especially those from the opposition, lambasted the federal government over recent surge in fuel prices. "Yesterday, there was an economic genocide of the masses," deplored Opposition Leader Dr Shahzad Waseem. Mushtaq Ahmed Khan from Jamaat-e-Islami (JI) strongly criticised the rulers for "making it beyond the reach of common man to buy flour." He also strongly criticised the country's security apparatus for Peshawar terrorist attack. "It seems that our security institutions and intelligence agencies have failed," he deplored.

Food Security Minister Tariq Bashir Cheema said, "My heart bleeds— when I see people in long queues waiting to get flour." Asif Kirmani from Pakistan Muslim League Nawaz (PML-N) and PTI's Zarqa Suharwardy Taimur strongly protested over what they said were the "insulting remarks" made by Hidayatullah Khan from Awami National Party (ANP) against Quaid-e-Azam Muhammad Ali Jinnah. Some new bills were moved in the house and referred to the relevant committees. They were: Supreme Court (Number of Judges) (Amendment) Bill 2023, Pakistan Halal Authority (Amendment) Bill 2022, Constitution (Amendment) Bill 2022, Christian Marriage (Amendment) Bill 2023 and National Commission on the Rights of Child (Amendment) Bill 2023.

SBP ISSUES MECHANISM FOR QUOTA-BASED SUGAR EXPORT

ISLAMABAD: The State Bank of Pakistan (SBP) has issued instructions to the Authorised Dealers (ADs) for export of approved quantity of sugar on the basis of quota to be allocated on first come first served basis, sources in Commerce Ministry told *Business Recorder*.

The SBP has advised the Authorised Dealers to find Commerce Ministry's Office Memorandum of January 18, 2023 in terms of export of sugar. In terms of the OM, the Government of Pakistan has allowed sugar mills to export 250,000 MT sugar as per stipulated terms and conditions.

The SBP has further asked the ADs to process the sugar export quota allocation cases for Punjab and KPK, as per the following mechanism: (a) ADs will forward the requests of sugar mills through the respective Group Heads to the Director, Foreign Exchange Operations Department (FEOD), SBP-Banking Services Corporation (BSC), Head Office, Karachi for approval quoting the reference of the circular letter along with the copies of the following documents (duly attested by the bank);(i) Clearance certificate issued by the concerned Cane Commissioner to the effect that concerned sugar mill has cleared outstanding dues of the farmers for sugarcane crop up to 2021-22;(ii) sugar export contract; and (iii) print out of electronically generated financial instrument for export through PSW.

According to the SBP, incomplete requests shall not be considered whereas FEOD will allocate sugar export quota to the sugar mills on first come first served basis, based on the date/time of the case received through SBP Regulatory Approval System

The export by sugar mills will be strictly made through AD which has submitted the request for quota allocation. The AD will ensure that export by a sugar mill does not exceed the quota allocated to it. There shall be no provision of surrendering, transferring and amending the quota once allocated by FEOD.

The quota for sugar export for the province of Sindh will be allocated by the Cane Commissioner of the province. There will no subsidy by the federal/ provincial governments for export under the scheme. The ADs will ensure to obtain an irrevocable L/C from the buyer.

The export proceeds shall be realised within 60 days including shipment made out of quota for Sindh, to the Director FEOD, SBP-BSC, Head Office, Karachi on weekly basis as per the reporting format.

The SBP has advised the ADs to bring instructions to the knowledge of their constituents and ensure meticulous compliance of instructions.

SBP ORDERS DEALERS TO FACILITATE IT, ITES EXPORTERS

ISLAMABAD: The State Bank of Pakistan has directed authorised dealers to swiftly facilitate IT and ITeS exporters, the Ministry of Information Technology and Telecommunication said.

The ministry spokesperson told *Business Recorder* that the Ministry of Information Technology and Telecommunication, Pakistan Software Export Board (PSEB) and Pakistan Software Houses Association (P@SHA) have been working with the State Bank of Pakistan (SBP) to ease the foreign currency retention and utilisation issues faced by the IT industry.

In order to address and resolve the issues, the SBP has issued EPD circular letter No 02 of 2023 titled, “Exports of Software, Information Technology (IT) and IT Enabled Services (ITeS)” and EPD circular letter No 03 of 2023 titled, “Utilization of Funds held in Exporters’ Special Foreign Currency Account” on 13th January 2023.

However, due to misinterpretation by the commercial banks, the exporters faced difficulties in converting the foreign currency remittances into PKR, he added. This issue was highlighted to the finance minister and governor SBP who took note. As a result, SBP issued directions to the authorised dealers vide EDP ICM letter No 416458 on 27th January 2023 to facilitate IT andITeS exporters in swiftly opening of foreign currency accounts to retain up to 35 per cent of export proceeds, and to ensure timely credit of remittances in the PKR accounts of the exporters until the special foreign currency accounts are opened or the exporter declines to avail the facility of foreign currency retention.

The governor SBP met with the PSEB/MoITT and P@SHA representatives on 30th January 2023 to review the industry issues and concerns. The governor has assured that reported issues will be rectified without delay and emails received at facilitation.itexporters @sbp.org.pk will be addressed immediately. Progress on the resolution of issues will be reviewed periodically by the SBP, the PSEB/MoITT, and the P@SHA.

The IT and ITeS exporters have been encouraged to raise their specific issues and concerns including concerned bank’s details at the facilitation email address provided by SBP with copy to fin@pseb.org.pk and policy@pasha.org.pk. Facilitation provided by SBP in response to the IT and the ITeS industry demands advocated by PSEB/MOITT and P@SHA will improve the business environment and deliver ease of business for the exporters. The IT and ITeS businesses and freelancers are encouraged to join hands with the government at this important juncture and avail the opportunity by remitting export proceeds to the country hassle-free.

PBC SATISFIED WITH SBP’S STEPS AIMED AT MANAGING LIQUIDITY

KARACHI: A Pakistan Business Council (PBC) delegation, led by its Chairman Muhammad Aurangzeb met the Governor of the State Bank of Pakistan (SBP) to discuss economy and offer suggestions for alleviating some of the challenges facing businesses.

The delegation conveyed its satisfaction over the steps taken by the government and the central bank to revive the IMF programme. It stressed the importance of continued engagement with IMF, taking measures to limit imports by enhancing reliance on indigenous fuel and for the government to engage sovereign wealth advisors to help re-profile debt. Together, these would provide space for fundamental reforms which PBC has been advocating. PBC welcomed the narrowing of exchange rate spreads. However, in light of political and economic uncertainty, as the US$ is likely to remain a store of value, it recommended dollar-linked instruments as alternative to hoarding dollars.

PBC also suggested floating rates for Naya Pakistan Certificates to maintain their continued attractiveness in face of global monetary tightening. SBP appreciated both the proposals and agreed to take up these proposals with the Federal Government. PBC proposed that businesses able to import on 180 days plus deferred payment terms be offered forward cover at a cost. This would reduce the immediate pressure on foreign exchange reserves and save the government the cost of borrowing as well carrying the exchange rate risk, which it currently does without compensation.

PBC was informed that the SBP was examining the feasibility of a scheme for providing foreign exchange hedge in consultation with the GoP. PBC also recommended that the SBP starts to consult business bodies on a second priority list of importable items to provide transparency and enable businesses to plan. Within this list, groups that generate substantial export earnings be given reasonable priority. The meeting concluded with the Chairman PBC appreciating the Governor SBP and his team's challenging tasks and assuring him of full cooperation by PBC and its over 100 leading member companies that contribute 40 percent of the country's exports and generate a third of the total tax revenues.—PR

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SBP SAYS IT RECOGNISES COST OF MONETARY TIGHTENING, BUT CURBING INFLATION ESSENTIAL

The State Bank of Pakistan (SBP) says that it recognises the short-term cost of monetary tightening on economic activity. However, it believes that controlling inflation is crucial for sustainable growth.

The remarks were made by Director Monetary Policy Department, SBP, Fida Hussain, in an episode of the SBP Podcast on Sunday. Concerning the impact of rising interest rates on economic activity, Fida said that it is pertinent to mention that the SBP's primary mandate is ensuring price stability. "Our primary objective is to achieve price stability. Thus, our first concern in decision making context is inflation," he said. He said that high inflation creates "an uncertain environment" for consumers and investors to plan their savings and make investment decisions, which would affect growth prospects.

Last week, the central bank announced its Monetary Policy decision, in which it raised the policy rate by 100 basis points and took it to 17%. Giving the rationale and key reasons behind the latest monetary policy decision, the SBP official highlighted three important factors which the MPC mentioned in its statement. He said that the first factor is an elevated level of inflation, which went from 26.6% in October to 23.8% in November and stood at 24.5% in December 2022. "Not only headline inflation but core inflation has also been on a rising trend for the last 10 months, indicating the presence of some demand-side pressures as well as second round impact of earlier energy and food price increases. Furthermore, inflation expectations, among both businesses and consumers, have drifted upwards.

"The MPC noted that if the central bank did not act in the current situation, these expectations may contribute to a further rise in inflation going forward," he said. Fida said the second important factor in the MPC decision is that the near-term challenges to Pakistan's external sector and its outlook have increased, despite the sizable reduction in the current account deficit.

The third important factor is uncertain global economic conditions. With regards to food inflation, the podcast highlighted that during the winter months of November and December, shelf life of food products tends to increase, leading to improved supplies and therefore, lower prices.

"However, this was not the case in 2022, as food prices have risen sharply," said SBP's official. He added that this indicates the need for active price monitoring at the local level, and administrative measures to ensure smooth and continuous supplies. "The higher food inflation and core inflation, if allowed to entrench, creates the risk of a wage price spiral, and therefore necessitates a tight monetary policy response," said Fida.

The podcast also highlighted that during the "high-inflation period" there is a need for fiscal policy to work in tandem with monetary policy to curtail demand-side pressures. "If we are raising the interest rate from our side, the fiscal spending side should also reduce," he said. He said that an expansionary fiscal policy dilutes the impact of monetary tightening. "Therefore, adhering to planned fiscal consolidation under the current circumstance would support the SBP's efforts to curb high inflation."

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