PAKISTAN TO REPAY FOREIGN DEBT WORTH $22 BILLION IN 12 MONTHS: PKIC DATA SHOWS SBP PROJECTS NO FOREIGN DEBT INFLOWS FOR NEXT 12 MONTHS

KARACHI: Amid efforts to dodge the imminent risk of default, Pakistan says it is due to repay foreign debt and interest worth almost $22 billion over the next 12 months.

The dollar-strapped government, upon successful resumption of the International Monetary Fund (IMF) programme, is expected to initiate talks with creditors to restructure its foreign debt. The country's debt obligations currently stand significantly higher than the inflows it expects to receive in the coming years.

Data from the State Bank of Pakistan (SBP) suggests that Pakistan is to repay a total debt of $21.95 billion in one year; $19.34 billion in principal and another $2.60 billion in interest on the total debt.

According to data shared by the Pak-Kuwait Investment Company (PKIC), however, the central bank has projected no foreign debt inflows for the next 12 months.

The breakdown of data suggests the country is to pay off $3.95 billion within one month. In the next three months, it is due to return $4.63 billion and is to repay another $13.37 billion in the last eight months of the period under review. Speaking to the Express Tribune, PKIC Head of Research, Samiullah Tariq said, "Pakistan is passing through an extraordinary financial crisis. Accordingly, it needs to take extraordinary measures."

"The country needs thoughtful planning to sail out of its current financial crisis and enter into a definite future. It should work on all the available options to control foreign expenditure and boost income," he added.

Explaining that Pakistan needs to meticulously plan how it can increase foreign exchange reserves, Tariq said, "The country needs to boost the confidence of overseas Pakistanis and make the domestic economy attractive in order secure increased Roshan Digital Account (RDAs) inflows."

"The government has recently revised the rate of return on Naya Pakistan Certificates to attract higher inflows from non-resident Pakistanis," he recalled.

"Apart from the this, the government should restructure its existing debt, enter the new IMF programme after the current one ends in June 2023, cut imports, boost export earnings and workers' remittances through official channels," suggested Tariq.

Recalling that former finance minister, Miftah Ismail was in favour of taking new loans instead of restructuring the current debt, Tariq hoped the nation would successfully revive the stalled IMF loan programme at the end of ongoing talks in Islamabad. "We are expected to achieve staff level agreement with the IMF in a couple of days, after which the IMF Executive Board will approve the programme and release a $1.1 billion loan tranche," he explained.

Pakistan is to return around $80 billion in foreign debt over the next three-and-half years (from February 2023 until June 2026). On the contrary, however, the country's foreign exchange reserves have depleted to an alarming level of less than a three-week import cover at $3.1 billion at present.

Arif Habib Limited (AHL) Head of Research, Tahir Abbas said, "The government should opt for re-profiling its foreign debt instead of restructuring. Re-profiling will help the government get an extension of about four to five-years to repay debt from bilateral and commercial creditors, including friendly-countries like China, Saudi Arabia and the United Arab Emirates."

Restructuring, he explained, is what the nation has been doing for a while and will only allow the debt to be rolled over for a brief period of time – around one-year.

"The re-profiling will end uncertainty on debt repayment in the short-term and help shift the government's focus towards much needed economic reforms," he explained. Abbas said the government may re-profile debt worth $13 billion. This is expected after the next government comes into power in the aftermath of the October 2023 parliamentary elections. He underlined that fiscal deficit is likely to remain elevated at 6.8% of GDP (well above the 4.9% budgeted). Fiscal tightening and the impact of rupee depreciation is expected to keep inflation elevated – likely to rise above 30% over the next few months and average at 27% in FY23.

"In this backdrop, the SBP shall maintain a tight monetary policy and raise rates by another 100-200 basis points before June 2023 with gradual easing from the fourth quarter of 2023 as inflationary pressures subside," predicted Abbas. "In the backdrop of further monetary and fiscal tightening, we estimate GDP growth to decline to 1.1% in 2023, compared to 6% in the previous year (FY22)."

TR 8-2-2023

AIIB CHIEF ECONOMIST BRIEFED ABOUT STATE OF ECONOMY

ISLAMABAD: A meeting was held with Erik Berglof, Chief Economist, Asian Infrastructure Bank (AIIB) here. SAPM on Finance Tariq Bajwa, SAPM on Revenue Tariq Mehmood Pasha and Senior officers from Finance Division participated in the meeting.

Finance Minister Mohammad Ishaq Dar welcomed Erik Berglof and shared the current economic outlook of the country and further apprised the economic policies and reforms of the government for sustainable economic development and social uplift of the poor segment of society. He informed that despite economic challenges, the government is determined to set the things in right direction and put the economy on a positive trajectory. The Finance Minister also apprised the delegation about the economic losses due to the devastated floods in Pakistan and rehabilitation and reconstruction in the flood affected areas. Erik Berglof, Chief Economist, AIIB appreciated the economic policies and reforms of the present government for social uplift of the masses. He highlighted the role of AIIB in infrastructure development projects and investment and in Pakistan discussed future cooperation in development projects especially eco-friendly and climate resilience. In conclusion, the Finance Minister expressed gratitude to Erik Berglof, Chief Economist AIIB for his support to Pakistan.

TAPI GAS PIPELINE: PAKISTAN WILLING TO GO AHEAD WITH OR WITHOUT INDIA

ISLAMABAD: Pakistan has shown willingness to go ahead with Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline project with or without India as Afghanistan is ready to raise special force for the project. This was conveyed by the Minister of State for Petroleum and Natural Resources, Musadik Malik during his recent visit to Saudi Arabia.

Well informed sources told *Business Recorder* that the minister briefed the Saudi side on latest situation on TAPI pipeline project. He noted that Turkmenistan was keen on moving ahead with the project and maintained that Pakistan wanted to implement the project at the earliest and would complete it with or without India's participation. In case India chose to leave the project Pakistan was willing to buy India's proposed share of gas, Malik reportedly stated. On the issue of Afghanistan, Minister of State for Petroleum and Natural Resources acknowledged that the security and political situation in the country remained a stumbling block.

However, he argued that if favourable factors were created including raising stakes of the Afghans, the security problem could be addressed. He further contended that transit revenue from the pipeline would make up around 80 to 85 per cent of Afghanistan's annual budget making it imperative for them to ensure its security.

The Minister claimed that he also informed the Saudi side that the Afghan interim leadership had informally indicated their readiness to raise a dedicated security force to ensure safety of the pipeline. He said that if Saudi capital or some multilateral funding mechanism was brought into the project it could be materialized which would transform the energy and security landscape of the region.

The sources said, the Saudi side appeared to doubt the removal of security-related impediments in Afghanistan but indicated that they would closely follow the developments with regard to TAPI. They also suggested that if all concerns are addressed and economics of the projects are worked out, entities like SDF, PIF and Exim Bank could be brought on board. During his meeting with the Saudi Ministers of Finance, Energy, Minerals and Industry, the Minister of State for Petroleum and Natural Resources, also proposed a new project where natural gas from Turkmenistan could be brought to Gwadar via gas pipeline from Chaman, converted into LNG and exported. He reasoned that if Saudi Arabia joins this project, it could open up new possibilities. He claimed that Turkmen leadership was also interested in this idea and if the Kingdom could join, Pakistan, Turkmenistan and Saudi Arabia can become joint exporters of LNG. He asserted that energy-starved Europe and the West would also welcome the project.

The sources said, the Saudi side did not commit to the idea but agreed to study the economics of the project carefully when it will be shared by Pakistan. The Minister said that further details of the proposed project would be shared with the Saudi side in due course.

PL ON POL PRODUCTS TARGET: IMF-GOVT TALKS HAMSTRUNG BY DISCONNECT

ISLAMABAD: A massive disconnect is evident between the projection by the Petroleum Division of Rs 350 billion from petroleum levy (PL) for 2022-23, premised on maximising the levy to 50 rupees per litre on all petroleum products allowed under the existing legislation, the budgeted amount of Rs 750 billion and the International Monetary Fund (IMF) insistence that total collections under this head be raised to Rs 855 billion.

Discussions are underway between the government and the Fund however the government would have to re-legislate to raise PL from Rs 50 to Rs 70 per litre to generate Rs 855 billion in the remaining months (February-June) of the current year based on current fuel consumption, exchange rate and international oil prices, an official of Petroleum Division told *Business Recorder* on condition of strict anonymity.

In first half of current financial year (July-December 2022) around Rs 170-180 billion was collected as PL – 24 percent of the total budgeted PL target for the year. Sources said that the final figure of actual PL collection on POL products in the first half of financial year will be released in the current month.

Petroleum levy on petrol is already maxed out at Rs 50 per litre since November 2022 however an official told *Business Recorder* that "if upper limit of PL on petrol and HSD is raised by Rs 20 each to Rs 70 per litre the government may be able to collect Rs 20 billion ever month - from February to June - or a total of Rs 100 billion till the end of the current fiscal year."

Raising PL on the other two petroleum products – Superior kerosene oil (SKO) and Light Speed Diesel (LDO) by Rs 20 per litre would generate an estimated revenue of Rs 1.3 billion (Feb-June 2022-23), as consumption of these two items in total petroleum products is not more than 0.4 percent. Currently, Rs 6.22 per litre PL is being charged on SKO and Rs 30.45 per litre on LDO.

Sources maintained that the government is anticipating little change in consumption of petroleum products in coming months and is projecting on the basis of the trend observed during the first six months of the current financial year.

Oil Companies Advisory Council (OCAC)'s comparative data of sale of petroleum products July-December 2021-2022 showed the following: petrol imports were down by 27 percent to 2.624 million tons and HSD imports declined by 38 percent to 1.285 million tons. Sources said that although the government is hesitant to impose GST on petroleum products, yet petroleum price hike might be drastic in the next fortnightly review due on February 15, 2023.

A senior Federal Board of Revenue (FBR) official revealed that the Board recently moved a summary to Finance Minister Ishaq Dar to impose a lower than the standard sales rate of 17 percent on petroleum products which was rejected. The revenue impact of 17 percent sales tax on petroleum products has been estimated at Rs 90-100 billion in the last five months of the current year.

R 8-2-2023

SINDH ASSEMBLY SUMMONS SSGC CHIEF OVER PREVAILING GAS CRISIS

KARACHI: Lethargic attitude and absence of a majority of opposition members in the Sindh Assembly on Tuesday marred the private members' day for the umpteenth time as no legislative business, including the presentation of private bills and resolutions, was carried out. When the session started with a delay of one hour and 20 minutes, hardly two dozen lawmakers were present and the sitting was ultimately adjourned by Deputy Speaker Rehana Leghari to Friday after brief 40-minute proceedings.

The house took up the privilege motion given by Grand Democratic Alliance (GDA) lawmaker Nand Kumar Goklani for getting no response from the managing director of the Sui Southern Gas Company (SSGC) on the shortage of natural gas in the province.

Health Minister Dr Azra Pechuho rose to request the chair to summon the SSGC managing director to the assembly so that the members could ask questions regarding the shortage and availability of gas in the province. She said that the gas crisis was everybody's issue and the privilege of the entire house had been breached. Welcoming the health minister's suggestion, the deputy speaker called the gas utility chief to appear before the lawmakers in the committee room of the assembly on Feb 13. She said that members from the two sides of the aisle would grill the SSGC chief and asked them to join the meeting.

Question Hour

Also on Tuesday, Question Hour proved futile as only one of the four starred questions on the zakat and ushr department, all moved by the opposition members, was taken up. The rest of the movers — Muhammad Shabbir Qureshi of the PTI, Sadaqat Hussain of the Muttahida Qaumi Movement-Pakistan and Nusrat Sehar Abbasi of the GDA — were absent. PTI MPA Adeeba Hasan had asked about the procedure for the appointment of the chairman of the Sindh Zakat Council and if a woman could be appointed as the council's chairman.

Replying to her query, CM's Adviser Fayaz Ali Butt said that under the laws the provincial government shall appoint a retired judge of the high court or a retired civil servant in BPS-20 or above as chairman of the council. He added that there was no provision in the Sindh Zakat & Ushr Act, 2011 for the appointment of a woman as the chairperson of the council.

The next item on the assembly agenda was an adjournment motion tabled by PPP's Sharmila Faruqui, but it was not taken up as the mover was absent. The same went for two private bills moved by PTI's Omer Omari who also did not turn up. There were five resolutions of as many opposition members, but only one of them could come up, that was too partially as the deputy speaker adjourned the house due to lack of quorum while the mover was still on his feet.

In the resolution, GDA's Goklani had condemned the formation of a committee on the federal level for creating more provinces in the country.

The deputy speaker also expressed her dismal over the absence of the opposition members in the assembly on the private members' day, reminding them that the day was meant mainly for carrying out opposition members. Both the leader of the house and the leader of the opposition also did not turn up.

Dawn 8-2-2023

MILLIONS OF DOLLARS BEING SMUGGLED INTO AFGHANISTAN DAILY: TRADERS AND SMUGGLERS ARE BRINGING AS MUCH AS $5 MILLION ACROSS THE BORDER DAILY, SAYS THE REPORT

KARACHI: Millions of dollars are being smuggled into Afghanistan from Pakistan every day, providing some support for the squeezed economy after the US and Europe denied the Taliban regime access to billions in foreign reserves. For Islamabad, the outflows are exacerbating a rapidly developing economic crisis, foreign media reported. Traders and smugglers are bringing as much as $5 million across the border daily, according to Muhammad Zafar Paracha, general secretary of the Exchange Companies Association of Pakistan, a 26-member body of currency dealers. That more than covers the as much as $17 million that Afghanistan's central bank injects into the market each week. The illicit flows show how the Taliban are evading sanctions after their 2021 takeover of the country. For Pakistan, it's contributing to the depletion of foreign reserves and adding to the downward pressure on the rupee as the currency tumbles to record lows and the economy teeters on the edge of collapse. "Currency is being smuggled without any doubt," Paracha said by phone. "This has become quite a lucrative business." When the Taliban retook Kabul after two decades in August 2021, the US and Europe blocked more than $9 billion in Afghan central bank reserves, fearing the funds would be used by the militant group for terrorism. On pressure from the United Nations, the US agreed to release half of it to help the economy, but put this on hold after the Taliban prohibited Afghan women from attending school or working.

Seventeen months later, Afghanistan remains in a dire condition and the human-rights situation is only worsening. The UN has warned that more than half the population faces acute hunger over the harsh winter. But money from its neighbour is helping the regime to scrape by. "Afghanistan has about a $10 to $15 million requirement on a daily basis," said Khurram Schehzad, chief executive officer at Alpha Beta Core Solutions Pvt Ltd., a financial consultancy in Pakistan's commercial capital, Karachi. Half of this is estimated to come from Pakistan, he said.

Da Afghanistan Bank, the Taliban-run central bank, has enough **dollars** in reserve to support the economy, said spokesman Haseeb Noori. Some of it comes from the UN, which has been providing about $40 million in humanitarian aid each week since last year. As Afghanistan is cut off from the global banking system, the money is transported in cash into Kabul, and needs to be converted into afghani, the local currency, after it arrives. So even though the aid doesn't directly benefit the Taliban, the dollars ultimately end up in the central bank's coffers. The UN wasn't immediately available to comment. Customs tariffs, some of which are collected in dollars, are another source of funds for the regime. "The UN actually supports the afghani currency by supplying dollars to the markets and buying afghanis in exchange," said Torek Farhadi, a former International Monetary Fund adviser in Washington. "Demand for afghani is actually created by the UN and other sources including **dollar** smugglers."

The afghani has gained about 5.6% against the greenback over the past year through Monday, one of the strongest performances of any currency in the world. The Afghan currency has recovered to about 89.96 per **dollar** after hitting an all-time low of 124.18 in December 2021, a few months after the Taliban returned to power.

Pakistan's rupee has lost about 37% against the US currency over the period, one of the largest declines. It fell about 10% in one day in late January, the biggest drop in at least two decades, as the crisis-stricken government relaxed its grip over the exchange rate in a bid to win much-needed loans from the IMF. Pakistan has been struggling with the aftermath of deadly floods, raging inflation, political turmoil and foreign reserves that fell to $3.09 billion in the week ended Jan. 27, the lowest in nine years.

The smuggling really took off in the middle of last year after Afghanistan increased coal exports to energy-hungry Pakistan, according to officials at Afghanistan's finance ministry. It has also been boosted by the Taliban's ban on the use of Pakistan's rupee as legal tender in Afghanistan, which forces exporters to trade in dollars and bring the US currency back to the country, the officials said, asking not to be identified because they aren't authorized to speak to media. "Our market is bound to get affected when they purchase dollars from the local market," Jameel Ahmad, governor of Pakistan's central bank, said in a brief interview before a press conference on the country's interest-rate decision on Jan. 23. Haji Mohammad Rasool is one such trader, exporting coal to Pakistan. Coal is Afghanistan's primary export and Pakistan is its biggest trading partner. He buys coal in afghani, sells it in rupee for a markup, converts the rupee into dollars and sends them back to Afghanistan via the traditional Hawala system for transferring funds. Finding dollars is difficult in cash-strapped Pakistan, Rasool says, so he uses gray markets near the border in places like Peshawar, where he's willing to pay as much as 10% more than the official rate.

"Almost all traders do the same," he said of bringing dollars into Afghanistan. We're "prohibited by the Taliban from bringing rupees back into the country." The Taliban encourage everyone to bring in any amount of cash in dollars, but have cut the maximum dollar transfer allowed out of the country by half to $5,000, said Ahmad Wali Haqmal, a spokesman for the finance ministry. For Paracha of the Pakistan currency dealers' group, the problem lies with Pakistan's "flawed" immigration and trade policies and border controls. Thousands of people are crossing the border every day without visas, he said. And many of them are carrying dollars.

TN 8-2-2023

ISLAMIC NPC RATES REVISED UPWARD

KARACHI: Following the decision of the federal government, the State Bank of Pakistan (SBP) has notified revised profit rates of Islamic Naya Pakistan Certificates (Islamic NPC). The maximum rate of return rose to 15.50 percent for investment in Pak rupee. As per the announcement, the rate of return on dollar-based investment in Islamic NPC rose ranging 1 percent to 1.5 percent.

Accordingly, on a minimum investment of $1,000 with integral multiples of 500, 3-month rate of return (gross annual return before tax) increased by 1.5 percent to 7 percent, 6-month 7.20 percent, 12-month 7.50 percent while the profit rate for 3-year and 5-year Islamic NPC will be 8 percent. On Pak rupee investment in Islamic NPC, the rate of return increased up to 5.25 percent. On an investment of Rs 10,000 with integral multiples of 1,000, the rate of return (gross annual return before tax) for 3-month will be 15 percent up by 5.50 percent. A rate of return 15.25 percent will be applicable for 6-month Islamic NPC, 15.50 percent for one year bonds, 14 percent for 3-year and 13.50 percent for 5-year Islamic NPC.

On an investment of 1,000 GBP with integral multiples of 500, rate of return will be 5.50 percent for 3-month, 6 percent for 6-month, 7 percent for one year, 7.50 for 3-year and 5-year investment in Islamic NPC. In terms of Euro amounting to 1,000 with integral multiples of 500 investment in the Islamic NPC, the rate of return will be 4 percent for 3-month, 4.50 percent for 6-month, 5 percent for one year and 6.50 percent rate of return on 3-year and 5-year investment.

According to the SBP, USD, GBP and Euro Islamic NPCs have been launched and made effective from 23rd January 2023 and all issuance made on or after Jan 23, 2023 will be classified under USD, GBP and Euro Islamic NPCs-I. The issuance made from 23 to 31 January 2023 will be remunerated for the 9 days of January 2023 based on the weightages, PSR and expected rate announced for the month of January vide SBP's letter No SFAD/934/INPC-2023 on Dec 30, 2023. While, from Feb 1, 2023, all USD, GBP and Euro denominated Islamic NPCs-I will be remunerated based on expected rates and weightages announced for the month of February vide SBP Letter No SFAD/935//INPC-2023 dated Feb 1, 2023.

SBP has clarified that expected rates are just indicative in nature as actual profit rate will be calculated in line with the Islamic principle of Modaraba, based on actual results of the Modaraba pools using PSR and weightages. It may be mentioned here that the Finance Division (External Finance Wing), vide Gazette notifications No. S.R.O. 44(I)/2023 dated January 20, 2023, has already notified the revision in rate of return for the conventional NPCs.

R 8-2-2023

CHEMICAL SECTOR PAYS FOR IMPORTS IN PKR: PCMA SAYS MOVE WILL PAVE THE WAY FOR MORE AND WILL RELIEVE COUNTRY'S FOREX RESERVES

LAHORE: Pakistan's chemical industry imported its first ever raw material consignment from Saudi Arabia in Pakistani rupees, paving the way for further imports in the local currency and relieving pressure from the country's dwindling forex reserves. Speaking at the inaugural session of the two-day "Pakistan Chemical Expo 2023", Pakistan Chemicals Manufacturers Association (PCMA) Chairman Jai Kumar said, "To exploit the chemical sector, PCMA is not only advocating for long-term petrochemical complex projects but is also introducing bio-economy projects to take full advantage of the resources available in the country."

Governor Punjab Muhammad Balighur Rehman appreciated the industry's efforts to highlight the investment and trade potential in the chemical industry by holding the Expo and said, "Considering the growth opportunities present in the chemical sector, and the current economic situation of the country, it has become imperative to take immediate steps to facilitate the ease of doing business in this industry."

TR 8-2-2023

CASE AGAINST AMENDMENTS IN NAB LAW SC SUMMONS DETAILS OF PLEA BARGAIN AMOUNT, NAB CASES

ISLAMABAD: The Supreme Court on Tuesday observed that it would be a great injustice with the people if the court hesitates to intervene into a matter involving violation of law.

A three-member bench of the apex court, headed by Chief Justice Umer Ata Bandial and comprising Justice Ijazul Ahsen and Justice Syed Mansoor Ali Shah, heard the petition of Pakistan Tehreek-e-Insaf chief Imran Khan challenging the amendments made by the incumbent coalition government in the National Accountability Ordinance (NAO) 1999. Through the instant case, a red line will be drawn on the NAB law, remarked the CJP.

The **court** sought details of the amount recovered through plea bargains and NAB cases that were either terminated or referred to concerned forums after amendments in the NAB law.

Justice Ijazul Ahsen observed that the matter about amendments in the NAB law and public trust in parliament was before the **court.** Once, it was established that public trust was breached, the **court** will decide under-challenged NAB amendments, Justice Ahsen remarked. During the course of hearing, Justice Syed Mansoor Ali Shah asked the special prosecutor NAB about the number of cases decided after the NAB amendments and asked for submitting details pertaining to cases that were sent back to concerned forums.

"How much this impression is true that several cases were either terminated or became infructuous after the NAB amendments," the judge asked the special prosecutor. However, the special prosecutor rejected the impression and submitted that not a single NAB case was terminated but some cases were referred to concerned forums after the amendments. Justice Mansoor Ali Shah asked the special prosecutor to submit details pertaining to those cases that were decided on merit after the amendments incorporated into the NAB law. Justice Ijazul Ahsen observed that the corruption cases involving amount less than Rs500 million got infructuous through the NAB amendments.

At the outset of hearing, Chief Justice Umer Ata Bandial observed that it was not the job of the court to resolve the dispute created by parliament and added that parliament should resolve disputes itself.

"The NAB should tell the court about the corruption cases that went out of NAB's ambit through the amendments in NAB law," the CJ asked from the special prosecutor NAB.

The learned counsel for the Federation further submitted that the court should also ask the petitioner (Imran Khan) as to how many NAB cases were terminated during his reign.

Justice Mansoor Ali Shah asked the counsel for the federal government if the court could itself interpret the basic fundamental rights.

Makhdom Ali Khan submitted that the court could intervene only when any branch of the government crosses its limits. Chief Justice Umer Ata Bandial observed that since the creation of Pakistan, anti-corruption laws were in place and added that the petitioner might have some reservations over changing of real NAB law. Later, the court adjourned the hearing until today (Wednesday).

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