

IRAN THREATENS PAKISTAN WITH \$18BN PENALTY FOR DELAY IN PIPELINE PROJECT

Iranian authorities have threatened Pakistan with a \$18 billion fine if the multi-billion-dollar gas pipeline project is not completed despite US sanctions. According to The News, citing a Ministry of Energy official, Tehran has given Pakistan a deadline of February-March 2024 to build a portion of the Iran-Pakistan gas line project on its territory or face a hefty penalty. According to reports, Iranian officials told a visiting Pakistani delegation earlier this month that the gas pipeline agreement should be completed within a year. Iran has already finished its portion of the project from the gas field to the Pakistani border.

The neighboring countries inked the pact back in 2009 under the PPP government. According to the agreement, Islamabad was supposed to build around 800 kilometres long pipeline but the project continued to be delayed for 13 years. Over the years, Pakistani authorities have informed Tehran that it cannot continue with the project in wake of sanctions by the US. As per the agreement, Iran could not move to any international court in case of delay till 2024. In 2019, Iran warned to move an arbitration to invoke the penalty clause. Pakistan has reiterated its commitment to carry out the project, but only if international sanctions against Tehran are lifted.

Times 1-2-2023

COMMITTEE DISCUSSES TIMELY UTILISATION OF \$10.9BN PLEDGES

ISLAMABAD: The government on Tuesday assured the international community to keep a robust check on \$10.92 billion pledges made for flood-related resilience recovery and rehabilitation in the country and ensure transparent utilisation through a third-party audit. At the first meeting of the Policy and Strategy Committee (PSC) on Resilient Recovery, Rehabilitation and Reconstruction Framework (4RF), the stakeholders including federal ministries, provincial governments and regional governments of Azad Jammu & Kashmir and Gilgit-Baltistan discussed at length the terms of reference (TORs) of the committee.

Based on their recommendations, it was decided that the PSC will examine and approve 4RF's policies, plans, strategies, and standards and ensure fast-track approval of projects under 4RF. "Similarly, the committee will ensure financial control and recommend timely independent audits of programs and projects by the Auditor General of Pakistan and independent third-party audits", said an announcement after the meeting. It was also decided that the committee will undertake a periodical review of procurement procedures and sectoral policies to ensure the timely implementation of 4RF. Besides, it will oversee the functioning of the Implementation Management Committee, Recovery and Reconstruction Unit (RRU) at federal and provincial levels. The PSC will review progress every month.

The committee noted that pledges from the international community had touched \$10.92bn and it was now the responsibility of the federal and provincial governments to ensure effective utilisation while addressing all fiduciary issues.

The meeting presided over by planning minister Ahsan Iqbal was attended by the State Minister for Finance Dr Ayesha Ghaus Pasha, Climate Change Minister Sherry Rehman, Chief Minister Sindh Syed Murad Ali Shah and representatives from Punjab, KP, AJK and GB. Mr Iqbal asked all the relevant ministries and divisions to make a timeline for the projects so that they can be implemented timely. During the meeting, it was also decided to conduct a third-party evaluation to ensure the transparency of the projects. It is noted that the 4RF would be materialised in three phases including short-term up to one- year, medium-term up to three years and long-term up to five to seven years' period. The 4FR document suggested effective coordination and participation arrangement among federal and provincial governments, development partners, donors, international and national NGOs, academic and private sectors. Similarly, another committee Recovery and Reconstruction Unit (RRU) was also established on post-flood reconstruction projects envisaged in the 4RF. Led by Chief Economist Planning Commission, RRU is required to coordinate the work of line ministries and provincial governments, and provide periodic progress reports to the Policy & Strategy Committee and ensure enforcement of minimum standards for rehabilitation and reconstruction.

Dawn 2-2-2023

SAUDI ARABIA LINKS OIL REFINERY'S SETUP WITH POLITICAL CONSENSUS

ISLAMABAD: Saudi Arabia has reportedly linked establishment of billions of dollars oil refinery in Pakistan with political consensus, cabinet approval and stringent conditions proposed by M/s Aramco, well informed sources in Petroleum Division told *Business Recorder*.

In a follow up to the visit of Minister of State (MoS) for Petroleum, Musadik Malik to Saudi Arabia, Pakistan Embassy is working closely with the relevant Saudi authorities to build on the understandings reached during the visit. In this regard, Pakistan ambassador has suggested the following roadmap: on the oil refinery project, as undertaken by the MoS, GoP should pursue a favourable decision of the Cabinet in support of the terms and conditions proposed by Aramco. Once decision is made, Pakistan should convey it to the Saudi authorities in writing.

The Saudi Minister of Investment had suggested that in order to develop across the board political consensus and ownership of the oil refinery project the matter may also be tabled before the Parliament. Pakistan ambassador argued that the idea of Parliament approval merits careful consideration. According to the ambassador, the Embassy is already in touch with the focal person nominated by the Minister for Energy during the private dinner hosted by him.

The ambassador has suggested to Islamabad that the embassy should be kept up-to-date on the developments on oil refinery project. The ambassador, sources said, has noted that it was decided during the meeting with Deputy Minister for Investments Badar al-Badar that Islamabad would share project briefs and teasers with the Saudi side for consideration.

Minister of State for Petroleum and Natural Resources, during his visit to Saudi Arabia informed the Aramco Executives as well as the Saudi Ministers of Investment, Energy and Minerals & Investments that Prime Minister Shehbaz Sharif has given 'in-principle' approval for agreeing to all terms and conditions set by Aramco to make the project economically viable. He stressed that the oil refinery project was strategically important for Pakistan and the Government was keen to move ahead on it.

The decision to accept Aramco's conditions would be presented before the Cabinet and a favourable outcome is expected within a couple of weeks. He suggested that both sides should agree to a high-level committee to finalize the details of the project and address outstanding issues, if any. Malik further stated that Pakistan had recently introduced a new law that allowed the government to sign contracts on G-2-G basis without going into cumbersome and complicated bidding processes.

In the mining sector, it was agreed that a working group should be constituted to devise a roadmap. The Vice Minister for Mining Affairs from KSA would lead this working group from the Saudi side.

The Saudi Ministers welcomed the decision taken by Pakistan and said they looked forward to receiving formal approval of the Cabinet. They underscored that Kingdom's Leadership was also keen on implementing this project which would be another example of strong partnership between the two countries. They also highlighted that since Aramco was a publicly listed company, the economics of the project was also important.

Saudi Minister of Finance also brought up the issue of Al-Jomaih Group's investment in K-Electric and said that issue faced by one investor could potentially discourage other investors from the private sector in Saudi Arabia. He said the Kingdom wanted to bring more investors to Pakistan but as long as there were isolated negative examples it would be difficult to build trust.

The Minister of State responded that he would personally take up the matter with concerned authorities and push for its early resolution. The ambassador further contended that projects planned by ACWA Power feature high on the priority list of the Saudi leadership. The Saudi Minister of Investment had clearly stated that ACWA Power is more important in the Kingdom today than Aramco. The ambassador suggested that Islamabad should accord priority to ACWA Power - especially for future G-2-G projects.

DAR APPROVES PROPOSAL TO RAISE \$2BN FROM EXPATS

KARACHI: As Pakistan is grappled with economic challenges, Finance Minister Ishaq Dar Thursday approved a proposal to raise an interest-free \$ 2 billion from overseas Pakistanis to alleviate the ongoing foreign exchange crisis. Also, the federal minister directed the State Bank of Pakistan (SBP) to initiate the process for the scheme offered by the Saylani Welfare International Trust (SWIT).

The proposal was presented by Moulana Basheer Farooqi, Chairman of SWIT at the National Islamic Economic Forum Conference-2023 (NIEFC) jointly organized by SWIT and Darul Uloom Memon at a hotel here.

The Finance Minister addressed the event as the chief guest via video link. He hoped that the proposal would be implemented in a transparent, well-regulated, and structured manner. Dar offered his assistance to act as a facilitator between the SBP and concerned charities that wanted to collect donations for serving the national economy. "We want to make an appeal to the overseas Pakistanis that they should deposit dollars in the SBP for a minimum five-year period. This amount may be utilized to clear thousands of import containers, currently stuck at ports due to letter of credit (LC) issues. We will be able to raise at least \$2 billion within a few days," he added.

Farooqi said: “SWIT will partner with like-minded charities to approach concerned philanthropists within and outside the country for raising at least US \$ 2 billion for the State Bank of Pakistan to facilitate importers who have been facing serious hardships due to fast depleting foreign exchange reserves.” He told the audience that he had planned to team up with top charities in Pakistan including Akhuwat, Citizens Foundation and Indus Hospital to raise funds from concerned donors in Pakistan to facilitate traders. He recalled that Pakistan came into existence in 1947 in the name of Islam as its banking and financial system should fully conform to Islamic principles. Adoption of an interest-free banking system would be highly beneficial to achieve this cause.

The minister has assured the fullest support of the present government in efforts to make the banking system of Pakistan interest-free and transform it according to Islamic principles in five years’ time as per the deadline for the purpose given by the Federal Shariat Court.

Dar told an audience at the conference that the cause of implementing Islamic principles in the banking sector was very close to his heart as he sincerely wished that banking systems became interest-free in Pakistan. “As a sincere follower of the teachings of Islam it is my earnest desire to get rid of the interest-based financial system in our country,” said the Finance Minister. He said that brainstorming sessions like NIEFC with participation by leading financial experts and Islamic scholars went a long way in facilitating the government to achieve the cause of reforming the banking system as per the guiding principles of Islam. He said that with the involvement of every concerned stakeholder including noted religious scholars, financial, and economic experts Pakistan would easily fulfill the task of making the banking system interest-free and Shariah-compliant within five years. He said that in his previous tenure as the Finance minister he had introduced a number of initiatives to speed up the process of adoption of Islamic principles by the banking system.

The Finance Minister said that in the past term, he had offered two per cent tax exemption to the listed manufacturing companies that duly adopted the Islamic banking system. He said that as soon as he had assumed the Finance Ministry he implemented his thinking by advising the State Bank of Pakistan and the National Bank of Pakistan to withdraw their appeals against the judgment of the Shariat Court to eliminate interest from the banking system.

Dar said that a steering committee had been formed with all the relevant stakeholders and he being its patron to work on the cause of transforming the banking system as per the Shariah principles. He said the donations collected by his charitable drive would go a long way to generate employment opportunities for the masses in the country. He recalled that Pakistan had come into existence in 1947 in the name of Islam as its banking and financial system should fully conform to Islamic principles. He said that the adoption of an interest-free banking system would be highly beneficial to achieve this cause.

Noted religious scholar Mufti Muneeb-ur-Rehman, said that apart from getting rid of the interest-based banking system the tax mechanism should also be reformed to end the exploitation of the poor people and labourers. He said that a 17 percent general sales tax paid on items of everyday use was highly exploitative for the consumers belonging to low-income groups, as this tax rate should be reduced to seven percent to end this economic exploitation. He said that a maximum number of people belonging to the affluent classes should be included in the tax net to increase the revenue income of the country. He appealed to the wealthy people to come forward and donate generously to lessen the miseries of their fellow countrymen belonging to the downtrodden communities. Ashfaq Tola, State Minister for Reforms and Resource Mobilization Commission, said the present government was fully serious to wage Jihad against the interest-based financial and banking system in the country to end the exploitation of the countrymen.

State Bank of Pakistan Executive Director Syed Samar Hasnain held out the firm assurance on behalf of the SBP to implement an interest-free banking system in Pakistan as per the directives of the Shariat Court. He said that Pakistan required a large number of trained banking professionals to make all banks Shariah-compliant. He told the audience that Pakistan had six fully Islamic banks while 16 banks had Islamic banking branches functioning in 130 districts He assured the audience that the steering committee formed by the government would make quick progress to implement Shariah-compliant banking system in the country.

DAR GIVES GO-AHEAD TO SAYLANI, OTHER CHARITIES TO HELP RAISE \$2BN FROM OVERSEAS PAKISTANIS

KARACHI: Finance Minister Ishaq Dar on Thursday gave his green signal to a reported plan by charitable organisations to help raise around \$2 billion from overseas Pakistanis as the country’s economy battles challenges on the foreign exchange front. At the National Islamic Economic Forum’s (NIEF) ‘Defining a roadmap for Islamization of Pakistan’s economy’ in Karachi, Dar advised the group of charity organisations to meet with officials of the State Bank of Pakistan (SBP) to finalise the mechanism for the proposed fund-raising, which is planned to be “interest-free” for a five-year period. His statement came after Saylani Welfare Trust and other organisations offered to help raise \$2 billion from overseas Pakistanis, a move aimed at dealing with the current economic crisis and a focus on the issue of non-opening of letters of credit (LCs) amid dollar shortage.

Pakistan is currently in the midst of a massive economic battle with the currency hitting yet another record low on Thursday. Its foreign exchange reserves depleted to \$3.7 billion last month, an import cover of less than three months.

Its government is currently also locked in talks with the International Monetary Fund (IMF) over revival of its bailout programme that got stalled in September last year. In an effort to help alleviate some concerns, Muhammad Bashir Farooqi, Chairman Saylani Welfare, said that his organisation and around four to five others, including Akhuwat Foundation and The Citizens Foundation, were planning to request “patriotic overseas Pakistanis to lend dollars to the country without any interest for a five-year period”. “This will help Pakistan escape the current economic crisis,” Farooqi said while speaking at the event. “This will also help resolve the LC issue and clear up containers stuck at the port,” he said. Farooqi expects to fetch at least \$2 billion through this initiative. He also requested Dar to help facilitate the plan to which the finance minister agreed.

Dar, who addressed via video link, also urged Farooqi to send a team for a meeting with the central bank to discuss details of the strategy as “it will be a documented and transparent process”. “I will ask the governor (SBP) to meet your team and create the mechanism,” he said.

Earlier in his speech, Dar stated that “Islamisation of the Pakistan economy” was very close to his heart. “We need to stop Riba (interest) as soon as possible. From 2013 to 2017, I took some measures and implemented them in SECP, SBP, stakeholders, industrialists, banks. We requested Mufti Taqi Usmani to lead the change,” he said. Giving details on the initiatives introduced by the Pakistan Muslim League-Nawaz (PML-N) government in 2013-2018, he stated that special amendments were made during his party’s previous stint when 2% tax rebate was given to listed companies that were Shariah compliant. “I can now see the dividends of these efforts. Meezan bank was the top Islamic bank and had 100 branches. It now has 1,000 branches,” he said.

1,100MW K-3 INAUGURATED, CHINA PRAISED

KARACHI: Prime Minister Shehbaz Sharif Thursday inaugurated K-3, the third unit of Karachi Nuclear Power Plant (Kanupp), which will produce 1,100 megawatts of electricity. The project has been completed with Chinese assistance. Speaking on the occasion, the prime minister said K-3 was a step forward in cooperation with Pakistan’s trusted friend China. He congratulated the scientists and workers of Pakistan and China who strove for completion of the project. He said the staff of the Pakistan Atomic Energy Commission, who contributed to the project, would be invited to the Prime Minister’s Office for public recognition.

The prime minister said in view of \$27 billion energy import bill, Pakistan required alternative and inexpensive sources of energy including solar, wind, hydel and nuclear. He said Pakistan was blessed with enormous resources, having the potential of producing 60,000 megawatts through hydel power. But he regretted that the power generation stood merely 10,000 megawatts. He recalled that the project of Kanupp was finalized during the tenure of then prime minister Nawaz Sharif and expressed gratitude to the government of China for extending cooperation in this regard. Shehbaz said the electricity projects under the China-Pakistan Economic Corridor were greatly contributing to the country’s energy demands through the production of thousands of megawatts.

International Atomic Energy Agency (IAEA) Director General Rafael Mariano Grossi, in a video message, emphasized the importance of safe use of nuclear energy as Pakistan faced challenges of climate change. Pakistan Atomic Energy Commission Chairman Raja Ali Raza Anwar said National Electric Power Regulatory Authority had declared KANUPP a high power producing facility with its 27.15 percent production. Meanwhile, Prime Minister Shehbaz Sharif also visited the residence of Minister for Poverty Alleviation and Social Protection Shazia Marri to extend greetings on her son’s wedding. The prime minister, who was on day-long visit here, expressed good wishes for the newly-married couple. He prayed that the wedding of the couple might become a source of pleasure for both the families.

PANEL ASKS PD TO BROKER AGREEMENTS BETWEEN GOVT, GAS PRODUCING PROVINCES

ISLAMABAD: A parliamentary panel, on Thursday, asked the Petroleum Division to provide gas sale and purchase agreements between the federal government and the gas producing provinces. Member Committee Shamim said that areas in Khyber Paktunkhwa and Balochistan were facing an acute shortage of gas which was a violation of 18 constitutional amendments and the Constitution of Pakistan.

Director General (Gas) Petroleum Division apprised the committee members that the federal government was purchasing in between \$3 per mmbtu from Sui Gas field, \$2.5 per mmbtu from Zamzama, and around \$5.5 per mmbtu from different fields in KP.

An official of the Sui Southern Gas Company (SSGC) said that the UFG in Balochistan during winter increased manifold and caused negative impact on the company's revenue. "The winter gas bills in Balochistan, when temperature goes down to minus, cross the highest slab of Rs1,460 per mmbtu which is not affordable for poor residents," the official said. He said the percentage of UFG of 0.3 million gas consumers in Balochistan is 25 bcf annually, which is the highest out of 52 bcf UFG total volume of SSGC.

Regarding gas supply to KP, the official of the Petroleum Division said that 190 mmcf/d was indigenous production of the province and 270 mmcf/d was the demand. To meet the demand CNG sector was suspended supply but restored it from February 1, he added.

Deliberating upon the issue of gas theft from the main pipeline, especially in Sindh, the Committee was informed that a total of 385 cases were registered against all types of pipeline crimes/violations, 26 convictions were secured and 56 accused were fined millions of rupees. To date, there has been no conviction against any PARCO staff. Discussing gas loadshedding in Sindh, the committee took strict notice of the fact that numerous industries were involved in theft by installing large compressors to divert gas supply towards them. The Committee demanded details of companies and action against those.

Gas loadshedding in Balochistan and non-establishment of LPG stations in Panjgor, the committee raised concerns regarding the usurpation of rights of smaller provinces and asserted that the issue must be addressed with sincerity to remove grievances.

The matter of the closure of gas supply to gas stations in Khyber-Pakhtunkhwa was taken up as well and the Committee was informed that this was done to ensure gas supply to domestic consumers. Members recommended that the matter must be taken up with the prime minister.

Discussing slab rate for Balochistan, Chairman Committee Senator Mohammad Abdul Qadir stressed the need to ensure that the people must be facilitated and slab rates are not to be applied to bills in Balochistan in the three severe cold weather months as they contend with harsh weather during the winter months. He said that all-out efforts must be made to protect the poor from the increase in gas rates as recommended by the IMF. Hearing out the stakeholders on the issue of PSO's reluctance to charter PNSC Fleet for POL, Chairman Committee Senator Qadir stressed that in view of the current financial crisis the country faces, it is essential that preference be given to local companies. This, he added, would ensure the drainage of the dollar and the growth of local businesses and enterprises. He recommended the PSO to charter PNSC fleet for the import of high-speed diesel and Mogas products in Pakistan. "Such a move will be helpful in preserving around \$200 million per year as the mode of payment to PNSC will be made in local currency," he added. Chairman PNSC also assured PSO of quality service with competitive rates.

REHABILITATION OF ROADS IN SITE AREA: ECC APPROVES RS1BN GRANT

ISLAMABAD: A meeting of the Economic Coordination Committee (ECC) of the Cabinet has approved a technical supplementary grant of Rs1 billion for the rehabilitation of roads in the SITE area, Karachi. Sources said that the approval was granted on a proposal moved by the Finance Division.

According to a proposal, the Finance Division stated that the Central Development Working Party (CDWP) has approved the rehabilitation/construction of roads in the SITE Industrial Estate Karachi project at a cost of Rs3,000 million to be funded by the federal government.

The Planning, Development and Special Initiatives (PD&SI) Division has accordingly made allocation for the project through adjustments in the public sector development programme (PSDP) 2022-23 on 27-12-2022 and has surrendered an amount of Rs1 billion in favour of the Finance Division to obtain Technical Supplementary Grant (TSG) of an equal amount.

The Finance Division stated that therefore, the approval of the ECC is solicited for TSG of Rs1,000 million (one billion rupees) in favour of other development expenditures "rehabilitation/construction of roads in SITE Industrial Estate Karachi", in terms of Article 84 of the Constitution read with clause 23 of the Public Finance Management Act, 2019.

R 3-2-2023

OECD OFFERS FINAL GUIDANCE FOR GLOBAL MINIMUM CORPORATE TAX

PARIS, Feb 2 (Reuters) - The Organisation for Economic Cooperation and Development detailed on Thursday the final guidance for governments on how to bring the new global minimum corporate tax into their law books, taking the reform a step closer to roll out next year. In the deepest overhaul of cross-border tax rules in a generation, nearly 140 countries had agreed in 2021 to apply a minimum tax rate of 15% on multinationals by committing to a top-up tax on profits booked in countries that have lower rates.

The reform, which the OECD expects will yield an extra \$220 billions in tax income globally, aims to update decades-old rules on cross-border tax for the digital age where tech giants like Apple and Google can book profits in low-tax countries such as Ireland.

The OECD's final guidance aims to clarify lingering details so that governments adopt tax codes in a consistent and coordinated manner to limit compliance costs for companies and potential for conflicts.

The OECD said it offered details particularly on how other governments should recognise an existing U.S. minimum tax known as the Global Intangible Low-Taxed Income, or GILTI, which covers patents, trademarks, or copyrights.

The guidance, eagerly awaited by companies and tax advisors in addition to tax administrations, also fleshes out details on the scope of companies covered as well as operational and transition steps.

The U.S. Treasury Department said the guidance would provide clarity, while protecting tax incentives such as the green tax credits contained in the Inflation Reduction Act.

"The continued progress in implementing the global minimum tax represents another step in levelling the playing field for U.S. businesses," said Assistant Secretary of the Treasury for Tax Policy Lily Batchelder. She said it will also protect U.S. workers and middle-class families by ending the race to the bottom in corporate tax rates.

The overhaul is gathering steam ahead of implementation early next year after EU countries agreed in December on the roll out of the minimum tax across the 27-nation bloc.

Japan is preparing its domestic legislation and Switzerland is due to hold a referendum in June. However, the outlook is less certain for separate plans under the overhaul to re-allocate 25% of profit from the world's largest multinationals for taxation in the countries where their clients are, regardless of their physical location.

<https://www.reuters.com/markets/oecd-offers-final-guidance-global-minimum-corporate-tax-2023-02-02/>