IMF SEEKS POLITICAL CONSENSUS FOR REVIVAL OF $6.5B BAILOUT

ISLAMABAD: The International Monetary Fund (IMF) on Tuesday expressed concerns that the opposition might create hurdles in the way of implementing tough economic decisions, urging the government to meet all the “requirements” for the completion of the much-delayed programme review.

Nathan Porter, the visiting mission chief of the IMF, raised the question about the implication of the opposition’s role in difficult decisions that Pakistan would have to take to avoid the default. He expressed these concerns during the opening round of 10-day-long talks, according to the government officials.

Finance Minister Ishaq Dar led the Pakistani delegation.

Sources quoted the IMF mission chief as saying that the fund had concerns that the opposition might create some problems in the way of rolling out additional taxation measures that the government was planning to impose to revive the talks.

The government also started work on a plan for increasing the electricity prices.

However, the finance minister assured the IMF mission head that the government believed in political dialogue, the sources said.

Dar stated that the government would try to enforce additional taxes in a manner that would avoid any untoward legal and political challenges, the sources added.

The government was planning to promulgate a presidential ordinance but in case the IMF concerns remained, it might bring an act of parliament. Parliament route would take at least 14 days before the new taxes were implemented.

Although former prime minister Imran Khan backed the IMF programme, he, in the past, often changed positions on many issues to take advantage of the prevailing situation. Pakistan was in a dire need of the IMF umbrella to avoid sovereign default but for that it had to take many difficult steps.

Dar also apprised the IMF team about the negative role that Imran played at various occasions in the past to derail the economy.

The IMF mission chief urged the Pakistani authorities that they needed to do a lot to fulfil the programme’s commitments.

“Nathan Porter expressed his confidence that the government will meet the IMF requirements for the completion of the 9th review. Porter hoped that Pakistan would continue towards its progress on the reforms in various sectors and complete the IMF programme within time effectively,” according to the statement.

The IMF programme was going to end in June this year. So far, around $3.5 billion of the $6.5 billion total package remained undisbursed. Pakistan was not yet able to complete the 9th review, which according to the revised schedule had to be completed during the first week of November 2022. The 9th review pertained to the July-September 2022 period but both the authorities would also discuss the results of the October-December 2022 period, which pertained to the 10th review.

At this stage, both the sides had not indicated about clubbing the 9th and 10th reviews that might help unlock another $800 million.

The sources said that the IMF mission chief asked about Pakistan’s plan to bridge the fiscal gap, which emerged against the plan agreed in June last year.

According to the finance ministry, Nathan said: “The IMF and Pakistan will be working together on fiscal reforms.”

The sources said that Dar assured the IMF that Pakistan would take only those measures that could survive the courts’ scrutiny.

The government faced a major setback when the Sindh High Court struck down the super tax, causing at least Rs240 billion hit against the annual target of Rs7.470 trillion.

On his part, the finance minister extended all his support to the mission and “committed to work together for reaching an agreement to complete the 9th review under the Extended Fund Facility (EFF)”, according to the finance ministry.

Esther Perez Ruiz, the IMF resident representative, Minister of State for Finance and Revenue Dr Aisha Ghous Pasha, SAPM on Finance Tariq Bajwa, State Bank of Pakistan Governor Jamil Ahmed and secretary finance also attended the opening round of talks.

The meeting discussed and reviewed the economic and fiscal policies and reforms agenda to accomplish the 9th review under the EFF.

Pakistan had been trying to win back some of the lost ground but due to the trust deficit, the IMF this time appeared determined to get all the actions implemented before reaching a staff-level agreement. The IMF on Tuesday received the update on the assets declaration plan for civil servants.

The finance minister briefed the mission on fiscal and economic reforms and measures being taken by the government in different sectors, including bridging the fiscal gap, exchange rate stability and in the energy sector, for the betterment of the economy.

The finance minister assured that Pakistan would soon roll out a plan to reduce the gas sector’s circular debt by half to around Rs700 billion.

Dar, according to the finance ministry, said that reforms were being introduced in the power sector and a high-level committee had been formed for devising modalities to offset the menace of circular debt in the gas sector.

The sources said that in order to address the power sector issues, the government had proposed to enforce three quarterly tariff increases equal to Rs5.54 per unit from now till June, one additional debt surcharge of Rs2.93 per unit and give effect to the pending fuel cost adjustment.

These measures were being finalised against the Rs952 billion gap between the plan agreed in June and the progress during the current fiscal year.

Dar also extended gratitude to the IMF managing director on continuation of talks and shared that as the finance minister, he had successfully completed the IMF programme in the past and that the government was committed to complete the present programme.

In order to pave the way for the IMF visit to Pakistan, the government last week finally lifted administrative control on the rupee, which closed at Rs268 to a dollar on Tuesday, recovering nearly Rs2 to a dollar after a straight three-day loss of Rs39.

TR 1-2-2023

GOVT TEAM TRIES TO PERSUADE IMF TO UNLOCK LENDING

ISLAMABAD: The International Monetary Fund (IMF) on Tuesday asked Pakistan to withdraw untargeted subsidies, reduce circular debt, meet petroleum levy and Federal Board of Revenue (FBR) tax collection targets, it is learnt. Official sources revealed to Business Recorder that these demands were tabled during Federal Minister for Finance and Revenue Senator Mohammad Ishaq Dar's meeting held with the IMF review Mission led by IMF Mission Chief Nathan Porter at Finance Division, here on Tuesday.

The Fund's mission is in Pakistan for technical and policy-level discussions to revive the $7 billion Extended Fund Facility (EFF). During the first session on Tuesday, the IMF's review mission, identified the budget deficit and slippages, reiterating its strict stance on implementing Fund's conditions. Esther Perez Ruiz, IMF resident representative, Minister of State for Finance and Revenue Dr Aisha Ghous Pasha, SAPM on Finance Tariq Bajwa, SAPM on Revenue Tariq Mehmood Pasha, Governor State Bank of Pakistan Jamil Ahmed, secretary finance, chairman FBR, members of the IMF delegation, and senior officials from the Finance Division attended the meeting.

According to the official statement of the Finance Division, the meeting discussed and reviewed the economic and fiscal policies and reforms agenda to accomplish the 9th review under the EFF.

The finance minister briefed the Mission on fiscal and economic reforms and measures being taken by the government in different sectors. He apprised the mission that reforms are being introduced in the power sector and a high-level committee has been formed for devising modalities to offset the menace of circular debt in the gas sector.

The finance minister said that the government was committed to completing the present programme. He further extended all his support to the Mission and committed to working together for reaching an agreement to complete the 9th review under the EFF (Extended Fund Facility).

The governor SBP gave a briefing on the market-based exchange rate policy and informed the delegation about the recent hike of 100 basis points in the policy rate.

The IMF Mission chief expressed his confidence that the government will meet the IMF requirements for the completion of the 9th review and hoped that Pakistan would continue to make progress insofar as reforms in various sectors and complete the IMF Programme within timeframe effectively. He further added that the IMF and Pakistan will be working together on fiscal reforms. Official sources said the Fund agreed to the government's request of providing relief via the Benazir Income Support Programme (BISP) to the poor segments of society but insisted on strict adherence to financial discipline.

The two sides, on the first day of the technical talks, reviewed the economic situation of Pakistan and the ninth review of the bailout programme — which is pending since September. Sources said that the Fund insisted that Pakistan must fulfil promises, including budget deficit, which should be maintained at 4.9 percent with a primary deficit at 0.2 percent of the GDP. The Fund has reportedly pressed the government for withdrawing the Rs110 billion subsidy to the export-oriented sector. It also asked the government that FBR's tax collection target of Rs7,470 billion should be met.

The FBR has proposed new taxation measures of over Rs300 billion to overcome the revenue shortfall during 2022-23. The revenue impact of each proposed revenue measure has also been shared with the Fund, sources said.

The mission has also asked the government to reduce circular debt, while the Rs855 billion petroleum levy target should also be met. Further, performance of state-owned entities should be improved to reduce their losses and the privatisation programme should be expedited.
The sources added that the government promised the Fund that it will fulfill all the conditions; however, it requested the global lender to grant it more time to honour the government the promises it had made.

Reuters adds: The IMF funding is critical for Pakistan, which has barely enough foreign exchange reserves to cover three weeks of imports. Fuel comprises the bulk of the import bill.

Pakistan secured a $6 billion IMF bailout in 2019, which was topped up with another $1 billion last year. The talks, to continue through Feb. 9, are meant to clear the IMF's 9th review of its Extended Fund Facility, aimed at helping countries facing balance-of-payments crises. The lender had set several conditions for resuming the bailout, including a market-determined exchange rate for the local currency and an easing of fuel subsidies.

Last week, Pakistan removed an artificial cap on the rupee, resulting in it losing 14.73% in interbank trading during the last three trading sessions. The central bank said the rupee gained 0.65% against dollar on Tuesday in inter-bank trading, but, according to the exchange companies' association, lost 0.54% in the open market. "We believe that the rupee's weakness still has further to run, particularly with Pakistan's balance-of-payments position likely to remain weak for several more months," Fitch Solutions said.

New measures also include taxation, shedding power sector debt and hiking energy prices, with people already facing 24.5% inflation. The central bank also raised interest rates this month by 100 basis points to fight inflation.
The finance ministry, which raised fuel prices by 16% over the weekend ahead of the talks, said in its monthly report issued on Tuesday that fiscal consolidation was key to saving official reserves and exchange rate stability.

FITCH SAYS PKR TO FURTHER WEAKEN

ISLAMABAD: The Pakistani rupee is expected to weaken further, particularly with the country's balance of payments position that is likely to remain weak for several more months, says Fitch Solutions.

The rating agency noted that a continued weakening in the rupee will have broader economic implications too. In the near term, it could exacerbate imported inflationary pressure and may eventually result in steeper policy rate hikes from the State Bank of Pakistan (SBP).

These factors would only exacerbate Pakistan's challenging economic outlook. "We currently expect the economy to contract by 0.3 percent in fiscal year 2022-23. Equally; however, the rupee's devaluation will help Pakistan with securing further disbursements from the International Monetary Fund (IMF), which would be a positive for the longer-term outlook as it would help ease Pakistan's balance of payments strains," it added. The rating agency further stated that one condition under the IMF's External Fund Facility agreement is for Pakistan to move towards an exchange rate regime that is determined by market forces.

The agency noted that the rupee's devaluation was triggered by the decision among local foreign exchange companies to remove the self-imposed cap on the exchange rate on January 25. The State Bank of Pakistan (SBP) initially intervened, but the significant depreciation in the rupee is a clear sign the authorities have effectively loosened their grip on the currency.

Fitch Solutions mentioned that their current forecast for the rupee to reach Rs248 per dollar by year-end is therefore now looking out of date. The agency said that there remains a "considerate amount of uncertainty at this juncture; therefore, it is difficult to gauge the extent to which the latest devaluation has caused investor sentiment to soar further. "We will; therefore, firm up our rupee forecasts over the coming weeks, once the dust settles," said the agency.

GOVT PLANS TO CONVERT RS800BN PHL DEBT INTO PUBLIC DEBT

ISLAMABAD: The government has prepared a plan to impose multiple surcharges of over Rs 4/kWh on consumers across the country including those of the KE and conversion of Power Holding Limited's (PHL) debt of Rs 800 billion to public debt, sources close to Finance Minister told *Business Recorder*.

Sharing the details, sources said PHL outstanding debt stock as of June 2020 was Rs 1.004trillion. ECC of the Cabinet on May 6, 2022 approved the conversion power sector debt stock of Rs 804 billion into public debt. In compliance with the ECC decision of May 6, 2020 Finance Division, through a supplementary grant cleared Rs. 72.635 billion due in FY 21, while during FY 22 Rs 130 billion were released by Finance Division through regular budget allocation to clear PHL loans maturing in 2022.

Accordingly, repayment of principal of the PHL's debt released during FY 2020-21 & FY 2021-22 stood at Rs. 202.386 billion and the balance outstanding as of Jun-22 stood at Rs 800.253 billion during FY 2022-23. Out of this balance, Rs 164.310 billion is required to be paid as principal to the syndicate banks against the eight financing facilities.

Finance Division, in its letter of August 1, 2020 conveyed that due to fiscal limitations and non-provision of Adjuster, only Rs35.00billion are earmarked for the FY 2022-23 against PHL's repayment of loans as public debt. This allocation of Rs. 35.00 billion is only sufficient to clear principal repayments of the first quarter of FY 2022-23 and the remaining principal repayment of Rs. 129.3 billion for FY2022-23 is required to be rescheduled. Since these principal instalments of Rs. 129.3 billion represent a portion of debt facilities of Rs. 283.287 billion, the full amount of Rs. 283.287 billion needs to be refinanced/ re-rolled.

The matter was taken up with Finance Division to either get an allocation of the required amounts to clear principal repayments due in FY 23 or the option of re-rolling the facilities may be evaluated. Finance Division discussed the modalities of rescheduling options for PHL's debt of Rs 283.287 billon with leading agents/ banks and other stakeholders and after due deliberation, asked banks to provide term sheets for their balance PHL debt considering a 5-year repayment schedule including a 2-year grace period expeditiously. It was also discussed and agreed that Finance Division shall provide Government guarantees for repayment of principal, as well as, interest/ fees, etc., for the fresh facilities of up to Rs. 283 287 billion. Consequently, the principal instalment payments shall be deterred for a period of two years from the date of execution of fresh facilities. This will be cash neutral transaction, as disbursement of a fresh facility shall be utilized towards adjusting the outstanding portion of the existing facilities.

Finance Division shall be responsible for the repayment of the principal in respect of the fresh facility of Rs. 283.287 billion.

According to Power Division, out of the total outstanding finance facilities of Rs. 800.253 billion, as of June 30, 2022, servicing of loans amounting to Rs 246. 384 billion is being managed by imposing Financing Cost (FC) Surcharge levied @Rs. 0.43KWh under sub-section 5 of section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997. This Financing Cost Surcharge @Rs0.43 KWh is not sufficient to cover mark-up charges of total PHL loans.

The mark-up of remaining loans amounting to Rs. 553.870 billion is being paid from revenue collected through electricity sales and the same is being added to the circular debt; by June 30, 2022, Rs 194 billion have been paid as mark-up charges by CPPA-G from the revenue collected through electricity sales while an amount of Rs. 55.577 billion is also overdue and payable to OGDCL on account of mark-up till June 2022.

NEPRA FCA DECISION: POWER DIV PROPOSES REVISION

ISLAMABAD: Power Division has proposed revision in National Electric Power Regulatory Authority (Nepra) FCA decision/ notification by way of policy guidelines to recover the pending amount of Rs52 billion from electricity consumers and Rs 10.34 billion as an additional supplementary grant to cover waiver of electricity bills.

Power Division in its summary to the ECC has explained that Fuel Charges Adjustments (FCA) are determined by Nepra as per section 31(7) of the Nepra Act on monthly basis. As per the existing tariff methodology, Power Purchase Price billed to consumers is subject to adjustment on account of variation in fuel cost on monthly basis and uniformly reflected in the consumer’s monthly bill as FCA with a lag of two months. Pursuant to this, Nepra has determined the FCAs of Rs. 9.8972/unit and Rs. 4.3435/unit for the months of Jun-22 and Jul-22, respectively, to be charged in the billing months of Aug-22 and Sep 22, respectively, for Discos.

For K-Electric consumers, Nepra has determined Rs 9.8972 per unit of FCA to be charged in the Aug-22 billing cycle (Rs. 6.8858/unit of May -22 and Rs. 3.0114/unit of June-22) and Rs 3.9738 per unit FCA to be charged in Sep-22 billing cycle (Rs. 8.0909 unit of Jun-22 and Rs. 4.1171/ unit of Jul-22). As an unfortunate coincidence consumers were hit by Rs 9.8972 per unit of FCA plus Rs7 per unit of rebasing simultaneously in August billing. Due to the above adjustments, consumer tariffs increased significantly for the months of August and September 2022. As the country was also hit by the devastating floods during the months of August and September 22, to provide relief to consumers across the country, the Prime Minister of Pakistan, after a series of meetings held on 22, 23rd August 2022, 1st and 13th September 2022, directed to stagger the recovery of June and July FCAs as per following schedule: (i) non-ToU Domestic (Protected) consumers having 200 unit’s consumption would only pay Rs. 3.8972/unit FCA in August 2022 billing month.

The remaining FCA of Rs.6/unit (out of a total Rs. 9.8972/Unit) would be recovered by applying Rs. 1/ unit FCA in six months (Oct-22 to Mar-23)+ADs-(ii) non-ToU domestic (Protected) consumers having 300 units of consumption and private agriculture consumers, would not pay any FCA in the August 2022 billing month.

FCA of Rs. 9.8972/unit would be recovered by applying Rs. 1.65/unit FCA in six months (Oct-22 to Mar-23)+ADs- (iii) non-ToU Domestic consumers, having 300 unit’s consumption during the month of July 2022, would not pay any FCA in September 2022 billing month. FCA of Rs. 4.3435/unit would be recovered by applying Rs. 0.72/ unit FCA in six months (Oct+-22 to Mar-23) +ADs-(iv) non-ToU domestic consumers of K-Electric consuming 300 units during the month of July 2022, would not pay any FCA in September 2022 billing month.

FCA of Rs. 3.9738/ unit (after passing on the negative FCA of (4.1171) unit for the month of Jul-22 to consumers of 300 units as well) would be recovered by applying Rs. 0.66/unit FCA in six months (Oct-22 to Mar-23). In flood-affected areas, electricity bills for the month of September 2022 would be deferred for commercial consumers till the next billing cycle+ADs- (v) in flood-affected areas electricity bills for the months of August and September 2022 would be waived off for non-ToU domestic consumers up to 300 units. This would have a subsidy requirement of Rs. 10.34 billion. As such, Power Division has not been able to bill and recover the FCAs applicable for the month of Aug and Sept 2022.

KE, DISCOS: NEPRA APPROVES NEGATIVE TARIFF ADJUSTMENTS - KE LIKELY TO REFUND RS10.80/UNIT IN FEB BILLS

ISLAMABAD: National Electric Power Regulatory Authority (Nepra) on Tuesday approved in principle a negative adjustment of Rs 10.80 per unit for K-Electric (KE) and Rs 2.32 per unit for Discos for December 2022 under monthly Fuel Adjustment Charges (FCA) mechanism, aimed at requests from both KE and CPPA-G for sanctioning of their previous due adjustments already cleared by Regulator’s technical teams. Both decisions were announced by the Authority separately after two public hearing officiated by Chairman Nepra, Tauseef H Farooqi, Member Sindh Rafique Ahmad Shaikh, Member KP Maqsood Anwar Khan and Member Balochistan, Mathar Niaz Rana. Nepra’s Technical Team presented cases of CPPA-G and KE.

KE had sought negative adjustment of Rs 10.262 per unit to pass on Rs 12.081 billion to the consumers for December 2022; however, the Regulator increased the negative impact to Rs 12.80 per unit after considering reports of financial loss of Rs 9.17 million due to low gas pressure calculated by the EMO Section.

The Authority also approved in principle negative adjustment of Rs 2.32 per unit for Discos in FCA for December 2022, cumulative impact of which will be Rs 18.7 billion.

Chief Executive Officer (CEO) CPPA-G Rehan Akhtar requested the Authority to allow its pending adjustments of Rs 18 billion, of which Rs 4.5 billion has already been agreed by the Nepra's audit team. However, a member of audit team challenged the claim of CEO CPPA-G saying that the amount being claimed is incorrect. The Authority gave one month to its team to finalize its recommendations.

During the hearing, responding to a question regarding demand of IMF for increase in tariff at a time when the Authority is allowing negative adjustments, Chairman Nepra remarked that the Fund is only saying that extend subsidy only on what you have the money for or ability to do and no more. Talking about behaviour of IMF team with the officials, Chairman Nepra said that it was not important. "I'm dealing with them for last 3.5 years. Apparently, they (IMF) look very cruel and as if they are bent on destroying us but in fact they say only one thing which is 'cut your coat according to your cloth'" he said, adding that Pakistan is beset with issues as recovery, loss and performance are questionable, rupee is depreciating, and 65 per cent generation is based on imported fuel. He said that there are challenges but Nepra team will try to convince the Fund to show some leniency and the government is already making efforts to convince the Fund to minimize the rise in tariffs. He further stated that the main purpose of the Regulator is to tell the Fund the true cost of electricity and power industry, adding that provision or non-provision of subsidy is the domain Government of Pakistan.

According to Chairman Nepra, IMF maintains that there should be no subsidy and such is the crux of the discussions held between Fund the GoP. He said talks between Fund and the Regulator are held on the precise cost of electricity and over performance of power industry in a professional way. During the hearing questions were raised on the plans of NTDC regarding evacuation of electricity from Thar-based coal power projects.

NPCC official stated that presently NTDC can only evacuate up to 1800 MW from Thar projects of 2400-MW. However, efforts are being made to expedite installation of required equipment which will be completed by April 2023. Arif Bilwani, Aneel Mumtaz and other consumers raised different questions with respect to KE's affairs. One of the consumers raised the question of load shedding despite substantial generation. An official of Nepra stated that the Regulator is starting proceedings against KE for load shedding on the basis of aggregate Commercial and Technical (C&T) losses. Tanveer Barry representative of KCCI welcomed Rs 10.262/ kWh refund to KE consumers but added that due to QTA of Rs 4.4547/ kWh consumers will only benefit by Rs 5.8073/ KWh negative adjustment in the coming months. He feared higher fuel prices and devaluation might make it a positive impact in coming months. He further said that peak hour tariff for industry be withdrawn because uninterrupted production in industries was the only way to pull the country out of the existing economic crises. In the month of December KE's own generation was only 28%, fuel cost per unit @ Rs 21.567. It purchased electricity from CPPA-G on 61% @ Rs 7.120/ but there was no cost associated with peak hour and off peak hour rate so why was KE charging peak hour rates to industries.

CALL FOR INCREASING MINIMUM WAGES TO RS 35,000

LAHORE: Former president Asif Ali Zardari said on Tuesday that minimum wages for labourers and workers should be increased to Rs 35,000 in the country. In a statement, he said, reducing financial burden on working class is the responsibility of the government. Providing relief to the deserving ones should be the prime priority of the government and only far-reaching steps could only take the common man out of economic quagmire, he added. According to him, the federal government should decide to increase minimum wages of the working class in the country.

SUBMISSION OF 'IFRS 9': SECP EXEMPTS CERTAIN COMPANIES FROM REQUIREMENT

ISLAMABAD: The Securities and Exchange Commission of Pakistan (SECP) has exempted certain companies holding financial assets from requirement of submission of the "IFRS 9" (Financial Instruments). This is subject to the conditions specified for the companies in the SRO 67(I)/2023 issued on Tuesday. According to the notification, the SECP has notified that, in respect of companies holding financial assets, due or ultimately due from the Government of Pakistan in respect of circular debt, the requirements contained in "IFRS 9 (Financial Instruments) with respect to application of Expected Credit Losses Method" shall not be applicable on such financial assets for the financial years ending on or before December 31, 2024. Provided that such companies shall follow relevant requirements of IAS 39-Financal Instruments: Recognition and Measurement, in respect of above referred financial assets during the exemption period, the SECP added.

CDC-CDNS DEAL SIGNED

ISLAMABAD: Federal Minister for Finance and Revenue Senator Mohammad Ishaq Dar witnessed the agreement signing ceremony of launching the pilot project of Digitization/ Dematerializa-tion of National Saving Certificates (NSCs) through Central Depository Company of Pakistan Limited, here on Tuesday. Badiuddin Akber, CEO CDC and Hamid Raza, DG CDNS signed the agreement on behalf of the Central Depository Company of Pakistan Limited (CDC) and Central Directorate of National Savings (CDNS), respectively.

The SAPM on Finance, Tariq Bajwa, Akif Saeed chairman SECP, Moin M Fudda chairman CDC, Hamid Raza DG CDNS, and others attended the ceremony. Addressing the ceremony, the federal minister for finance extended his felicitations to the chairman CDC and senior executives, the DG CNDS, and the chairman SCEP for launching an important project for the facilitation of investors of CDNS in digital form. He further lauded the contributions of CNDS and CDC in the economic growth of the country and said that there is great potential in CNDS to attract more investors for the economic betterment of the country. The finance minister also appreciated the team of the Finance Division, especially the secretary finance and the AFS (Budget).

R 1-2-2023

CHANGES TO PSX DEFAULTERS' RULES

KARACHI: The Pakistan Stock Exchange is mulling changes in its regulations to revamp the defaulters' segment to protect the rights of minority shareholders.

The exchange places listed firms in this segment when they commit any of the 14 specific irregularities mentioned in the PSX Rule Book, the document containing all exchange-related regulations for the 532 listed companies.

The PSX has proposed that the existing defaulters' segment be restructured in two separate counters instead for "better transparency" and the "classification of non-compliant" listed companies. The new categories should be called the non-compliant companies' segment and the winding-up segment. Under the existing regulations, not starting commercial production within 90 days of the timeframe disclosed in the listing prospectus leads to a company's placement in the defaulters' segment. The same is the case with companies that've kept their operations suspended for one year. The PSX has proposed that the two conditions be removed from the regulations because companies disclose their financial performance periodically and, as such, their placement on the defaulters' segment doesn't disseminate any material information.

The PSX also proposed the removal of events like the suspension of Central Depository Systems (CDS) eligibility by CDS, qualified opinion on the going-concern assumption, and the issuance of show-cause notice by the Securities and Exchange Commission of Pakistan (SECP) for the initiation of winding-up proceedings. Instead, the PSX has proposed eight events that should lead to a firm's placement in the non-compliant companies' segment. Some of these events are the non-holding of annual general meetings, non-submission of annual audited financial statements, non-payment of annual listing fees or penalties for two years, and failure to comply with any provision of Chapter 5 of the PSX regulations that deal with a public listing.

Other proposed events that should lead to the placement of a firm in the segment of non-compliant companies include its failure to join CDS, revocation of its CDS eligibility, cancellation of its licence by the SECP and the passing of a winding-up order by the apex regulator.

As for the placement of companies in the winding-up segment, the PSX has proposed three trigger events. These include the commencement of voluntary winding-up proceedings through a special resolution and the filing of a winding-up petition by either the apex regulator or a creditor/shareholder.

Dawn 1-2-2023

SEPA RULES OUT AIR POLLUTION AS CAUSE AFTER ANOTHER DEATH IN KEAMARI

Another child has died in Ali Muhammad Goth of District Keamari in Karachi, raising the death toll of those who have passed away due to unexplained reasons in the area since January 10 to 19, according to officials, while the Sindh Environmental Protection Agency (Sepa) has ruled out any environmental cause behind the deaths of the children and the adults in the affected area. "We're performing the autopsy of three-year-old Abdul Haleem to ascertain the cause of his death. He had been sick for a few days and died last night in Ali Muhammad Goth of the Mawach Goth area of District Keamari," Police Surgeon Dr Summaiya Syed told The News on Tuesday. Dr Summaiya said they had requested the authorities for the body of any person who died in Ali Muhammad Goth to perform their autopsy to ascertain the cause of their death because the authorities were clueless about the circumstances that led to the death of 19 people in the area over three weeks.

Sepa claimed in its report on Tuesday that the "results obtained from the laboratory do not indicate excess of any parameter in the air quality which could lead to casualties from inhaling any toxic gas".

Signed by Sepa Director General Naeem Mughal, the report said the “environmental and health impacts were never being overlooked; it impacts on the health of living organisms. The recent incident in the Ali Muhammad village has never been linked with air pollution or the presence of toxic gases in the surrounding vicinity”.

The report recommended that the Sindh Health Department look into the possibility of an infectious disease or ingestion of contaminated food, saying that a proper response to this tragic episode is to have a thorough investigation done by a team of health specialists pondering over the symptoms, dose-exposure relationship, medical tests, diagnosis and even the air quality analysis, etc. to investigate all plausible reasons, and concluding with the exact and accurate rationale.

According to the report, Sepa had received information on January 26 through the electronic media as well as through a letter from the Keamari district health officer about the mysterious causalities of different age groups of children and adults in the vicinity of Ali Mohammad Goth.

Sepa immediately deputed a monitoring team to investigate and establish any environmental contamination factors in connection with the casualties. The investigation team observed multiple types of unauthorised commercial and industrial activities underway, like plastic waste dumping, iron ore manufacturing, warehouses, said the report, adding that such activities in residential areas are due to the amalgamation and conversions of industrial and commercial activities. “Majority of the residents of the village are employees within the said commercial set-up. Unplanned industrial/commercial dumping of industrial solid waste activities are taking place in the area. Mapping of the village does not allow to establish unauthorised commercial and industrial activity.”

Sepa had established a mobile environmental laboratory to monitor the ambient air quality in the village’s centre. “The lab tried to detect sulphur dioxide, nitrogen oxide, nitrogen dioxide, carbon monoxide, ozone, particulate matter (PM10), particulate matter (PM2.5), suspended particulate matter, lead and total volatile organic compounds,” said the report. However, it added, Sepa found no trace of any hazardous gas or material in the air of the area.

The report said that door-to-door survey was also conducted to compile information about the type of unauthorised activities causing degradation of the environment, adding that Sepa has initiated legal action against illegal commercial/industrial activities under the provisions of the relevant laws.

TN 1-2-2023

PARACETAMOL: GOVT TO ALLOW INCREASE IN PRICE

ISLAMABAD: The government is all set to increase the price of paracetamol tablets on demand of manufacturers of paracetamol products who have sought the increase to offset the sharp increase in raw materials, well informed sources told *Business Recorder*. Section 12 of the Drugs Act 1976 (Annex-l) and Section 7 of the Drug Regulatory Authority of Pakistan (DRAP) Act, 2012 empowers the federal government to fix the Maximum Retail Prices (MRPs) of drugs to be sold in the market. Further, the drug price fixation mechanism has been detailed in Drug Pricing Policy 2018 and amended with the approval of Federal Government of July 15, 2020.

Drug Pricing Committee (DPC) of DRAP constituted on August 5, 2013 is empowered to fix and review maximum retail prices of drugs subject to approval by the federal government. The Drug Pricing Committee (DPC) in its 50th meeting held on January 12, 2022 recommended an increase in MRPs of six drugs containing paracetamol and its combinations.

The recommendations of the DPC were not approved by the federal Cabinet in its meeting held on August 16, 2022. The federal Cabinet in its meeting held on September 13, 2022, while rejecting another summary to increase MRPs of 10 drugs, directed the FBR to immediately exempt all duty and taxes on import of APIs for paracetamol.

A summary to solicit approval of exemption of pharmaceutical ingredients (APIs) from customs duty was considered by the ECC of the Cabinet in its meeting held on September 21, 2022. After deliberations, it was noted that exemption of APIs from customs duty will discourage the local manufacturing of APIs and it will not help resolve the issue of shortage of paracetamol tablets. Therefore, it was considered appropriate to increase the MRP of paracetamol 500 mg tablets by 80 paisa per tablet to Rs 267 from its current approved MRP of Rs 1.87 and to increase the MRP of paracetamol suspension/syrup by Rs 12.18 per pack of 120 ml to Rs 117 from its current approved MRP of Rs 104.82.

The prime minister while chairing an online meeting via video link of the authorities concerned to review the pace of various flood relief and rehabilitation activities in the flooded areas directed that provision of subsidy for three months may be worked out by Ministry of Finance and Ministry of NHS, R&C to keep the price of paracetamol stable in the market.

EXCHANGE COMPANIES: THIRD CURRENCY CONUNDRUM

PKR/USD has shown resistance at the 270 level in the interbank market. Yesterday, the PKR appreciated against USD after a sharp dip in a few trading sessions. Two-way movement is the game of any market. The closing of the USD at a lower level yesterday than the previous day is a good omen. That could bring some exporters to sell their holdings and remitters to speed up the flows. This in turn could improve PKR further in the interbank.

Once that happens for 2-3 days, there could be some selling pressure in the open market – already, the rate in Kabul is lower than that in Karachi – an indication of dollar correction in the black market. If the trend continues, there might be a case of open market trading below the interbank for a few days – a stark opposite to what was happening in the past few weeks.

However, the inherent assumption is the timely attainment of the Staff Level Agreement (SLA) with the IMF in a week or two. Otherwise, the risk of a downward slide continues. And nothing is certain about the IMF resumption. Keep a close eye on the news coming from talks with the Fund taking place in Islamabad. And the lesson to learn for SBP is to not sway away from its stated policy of flexible and market-based exchange rates. Any step in the opposite direction can only be damaging. In the past, there were numerous examples where PKR had to adjust sharply – as it did happen in 2008 and multiple other times. A big damage Dar has caused is undoing the good things which were happening at SBP and turning it back into an administrative arm of Q-block.

Anyhow, if the IMF review is completed, the PKR may appreciate in the interbank market, and seeing that the flows in the open market may increase, adding further downward pressure. There are some technical aspects of exchange companies that SBP should look at. They have an issue with the supply of dollars. There are supplies coming in third currencies which they are exporting. However, they can import back dollars against these currencies. And they cannot sell third currencies to the interbank markets as banks only buy dollars, and dollar supply is restricted due to its import ban. This must be corrected to improve the supply of exchange companies and to make a dent in the black market. If these issues are sorted, the rate of exchange companies may come close to the interbank and there may be a few days when these trade below the level of the interbank rate. In this manner, exchange companies can surrender excess dollars in the interbank market to improve flows in the interbank and shore up reserves or lower the gap between pending imports and payments. Let's see whether this is addressed. All eyes are on the ongoing IMF negotiations.

R 1-2-2023

HIGH COURTS HAVE NO BUSINESS FIXING PRODUCT PRICES, RULES SC

ISLAMABAD: The Supreme Court has held that high courts have no business fixing the prices of livestock and dairy products. It is a settled law that a high court does not have suo motu jurisdiction under Article 199 of the Constitution compared to the Supreme Court, which has been conferred exclusive jurisdiction, observed Justice Ijazul Ahsan in a judgement he wrote. But, he stated, the high court passed a series of suo motu orders by imposing a ban on the export of dairy and poultry products.

The case at hand concerned the Sept 16, 2021 Peshawar High Court order of directing the Khyber Pakhtunkhwa government to devise policies to bring down the prices of livestock, dairy and poultry products and form a committee to review them under a formula whereby the rates of livestock by-products such as hide, viscera, feathers, legs/wings etc were deducted. Justice Ahsan while heading a two-judge Supreme Court bench held that banning of imports or exports of products was not the domain of courts, but fell under the exclusive domain of the executive. The judgement said the high court should not have transgressed its jurisdiction under Article 199 by passing an order that not only amounted to exercise of suo motu jurisdiction, but also an encroachment upon the jurisdiction of the executive.

The verdict said Article 184 of the Constitution provided that the power to exercise suo motu jurisdiction vested only with the apex court. The high court did not cite any law or precedent on the basis of which it exercised the jurisdiction, it said, adding the high court was not competent to even fix prices of products.

The only recourse available to it, if necessary, was to direct the government to do what was required under the law in case its functionaries were not doing their job, the judgement maintained. Likewise, the high court under Article 199 couldn't devise a pricing formula since that was not permitted under the law and went against the principle of trichotomy of powers envisaged under the Constitution, Justice Ahsan observed. He further wrote the high court order was not only against the mandate of Article 199, but also against settled principles of law, adding the court could not have provided a formula for the calculation of prices nor could it direct the formation of a pricing committee to implement the formula. Such matters clearly related to the executive and ought to be left to the policy makers to regulate.

Even otherwise, Item No 27 of the Federal Legislative List clearly and categorically provided that import and export was a federal subject. Also, Section 3 of the Pakistan Imports and Exports (Control) Act 1950 clearly stated that the power to prohibit or restrict imports and exports vested with the federal government. Directing the provincial government to do so did not have any legal or constitutional basis or sanction behind it, according to the judgement.

These provisions of law clearly stated that restriction or prohibition of imports and exports fell within the domain of the federal government. As such, the high court clearly exceeded its jurisdiction by formulating a policy regarding pricing of goods or commodities and banning exports of livestock, poultry, dairy products or products derived therefrom. Thus, the judgement stated, the SC was of the view that the high court had incorrectly applied the law and there were patent jurisdictional errors in its order that warranted interference. Thus, the Supreme Court set aside the high court order.

Dawn 1-2-2023

ABAD DEMANDS BARTER-IMPORT OF CONSTRUCTION MATERIALS

KARACHI: Association of Builders and Developers of Pakistan (ABAD) on Tuesday stressed upon the need of barter import with neighbouring countries to mitigate the impact of all-time high prices of iron and steel. Chairman ABAD Altaf Tai said that builders and developers have closed their projects due to ever high prices of construction materials, suggesting the government to allow import of construction materials from neighbouring countries on the basis of barter to defuse current situation. He warned the government of moving investments to other countries, saying that if the government didn't defuse the situation, builders and developers will have no other option but to move their investments to other countries, which he believed will be detrimental to Pakistan's economy. Altaf Tai said that the construction industry is given special attention all over the world to balance the economy because of over 70 allied industries; however, no such attention is given to the construction industry in Pakistan.

UNLICENSED THIRD PARTIES: PTA TAKES SERIOUS NOTICE OF PROVIDING ILLEGAL INTERNET SERVICES

ISLAMABAD: Pakistan Telecommunication Authority (PTA) has taken serious note of providing illegal internet services by unlicenced third parties, which is harming the business of licencees, it is learnt. Official documents revealed that these unlicenced parties try to produce various agreements with licencees to cover up the illegal business. During the nationwide surveys and complaints received from various sources, PTA has noticed that unlicenced third parties are providing illegal internet services, consequently, harming the business of licencees. However, in most cases, these unlicenced parties try to produce various agreements with licencees to cover up the illegal business.

In order to eradicate this deep-rooted mushroom growth of illegal provision of internet services, the PTA has chalked out guidelines for FLL and CVAS licencees for provision of internet services through agreements. All FLL and CVAS licencees are required to revise their existing agreements and sign new agreements as per following conditions:

a. Contracted party has to use company name of contracting party (licencee) at point of sales and for promotions etc;

b. Invoice shall be generated by the licencee;

c. All users to be shown on the service load of the licencee and no user will be removed from licencee record merely on the basis that the said user is being served through a contracted party;

d. Contracted party shall not deploy its own infrastructure or use infrastructure of cable TV operator;

e. Licencees to notify PTA all contracts as following: (i) Contracts within a region (Regional office PTA); (ii) Contracts covering multiple regions (Enforcement Division PTA CHQ). All licenced operators shall be responsible for reporting the revenue on yearly basis to PTA generated through each contracted party.

Above in view, a three-month grace period is being given to all FLL and CVAS licencees for correction of anomalies in contracts. After the expiry of said period, PTA will start a nation-wide survey and enforcement action will be taken on any breach of above guidelines. However, grace period would not stop PTA to initiate action under Section 31 of the Act.

R 1-2-2023