# $32.3M IDA CREDIT FOR T4HP GIVEN EXTENSION BY WORLD BANK

ISLAMABAD: The World Bank (WB) has extended IDA credit meant to finance Tarbela 4 Hydropower Project (T4HP) till June 30, 2023 as around $32.3 million still remains unutilized. This was conveyed by World Bank's Country Director, Najy Benhassine, in a letter to Secretary Economic Affairs Division (EAD) Dr Kazim Niaz.

According to World Bank Country Director, the Bank conducted an implementation support mission for Tarbela Fourth Extension Hydropower Project (T4Hp) and Tarbela Fifth Extension Hydropower Project (T5HP) during December l7-23, 2022. The Task Team had a series of technical discussions with WAPDA and NTDC in January 2023. The key issues and actions required for improving the project implementation have been mentioned in the letter.

According to the Bank, the T2HP was commissioned in 2018, with cost savings. It produces cheap and clean electricity at a nominal marginal cost. Till December, 2022, T4HP had generated over 18, 500 Gigawatt hours (GWH) of electricity. In comparison to power plants running on imported Re-gasified Liquefied Natural Gas (RLNG), this implies that T4HP has generated economic benefits over $ 2.4 billion so far, which is about three times the cost of the project.

The World Bank has shared following information with the government; (i) based on the letter from EAD, closing date of IDA credit 50790, which finances the T4HP has been extended till June 30, 2023. Around $32.8 million remains unutilized from the IDA credit; (ii) WAPDA should use the remaining IDA credit to close-out the main contracts, purchase equipment and to replace trash-racks in raised intakes of Tunnel 3 and 4. By June 30, 2023, WAPDA should complete all the activities financed by the IDA Credit and; (iii) the civil works contractor should deliver the replacement trash-racks to WAPDA by June 30, 2023.

The World Bank has also appreciated Chairman WAPDA for closely monitoring the operation of the raised intakes, as well as, repair and replacement of the trash-racks. According to World Bank, Indus River System Authority (IRSA) consented to closing Tunnel 5 for construction duration of 33 months. The leadership from WAPDA was instrumental in obtaining IRSA's consent. The contractor was given access to Tunnel 5 on September 30, 2022. Power Construction Company of China Limited (PCCCL), the civil works contractor, and Harbin Electric International Company/ Harbin Electric Machinery Company (HEI)/HEC), the electro-mechanical works contractor, have agreed to inter-contract milestones. They envisage completing work on Tunnel 5 in 33 months to operate all generating units of T5HP by September 2025, through the lower intake. The work on raised intake will be completed in May 2027.

WAPDA's Construction Supervision Consultant (CSC) has received the final schedules from both contractors. The World Bank has requested WAPDA's management to monitor the following key issues; (i) PCCCL must complete coffer dams in the powerhouse and intake sites, along with at least 150 meters of tailrace culvert before the operation of spillway in July. The contractor should complete excavation and support work, up to 420 meters, at the intake si1e; (ii) PCCCL must increase mobilization of machinery, plant, experts, and labour at the sites. PCCCL must immediately update CSC and WAPDA of its mobilization plan and; (iii) PCCCL and CSC must accelerate finalization of the construction drawings. HEI/ HEC and CSC must accelerate design submissions and approvals.

# OIL COMPANIES FACING RS35BN LOSS DUE TO FOREX LOSSES, LCS ISSUE: OMAP

LAHORE: The Oil Marketing Association of Pakistan (OMAP) on Monday said that oil marketing companies (OMCs) are facing a loss of Rs 35 billion due to the foreign exchange losses and opening of Letter of Credit issue. During his exclusive interview with *Business Recorder*, OMAP Chairman Tariq Wazir appealed to the government to address these issues immediately, otherwise the industry would be at the brink of closure. Tariq Wazir said that the important challenge faced by the industry is rupee devaluation and resultant foreign exchange losses. He also said that this single factor has created a lot of pressure and burden on the working capital of OMCs.

The major reasons for this are taking PSO as a benchmark and price calculation formula of the Oil and Gas Regulatory Authority which does not equalise actual losses. The adjustment and compensation for FX losses is a genuine right of importer of petroleum products, but due to unrealistic calculation many OMCs dealing in local refineries products take undue advantages for which they are not entitled.

The OMAP appeals that wrongly disbursed amounts should be recovered from such entities and should be disbursed to really deserving OMCs. Another paramount factor causing a squeezing financial capability is late adjustment of such losses.

“OMCs billions of rupees are pending for settlement and OMCs are compelled to this vicious circle of injecting money and then wait for settlement. This forces them to buy a product at an expensive rate and sell it at a lesser price. This phenomena can’t last long, it is a death warning for OMCs.” He urged the State Bank to make such arrangements to reimburse the industry in case of foreign exchange losses on an actual basis. He further appealed to the Ogra that for new retail site development and storage Ogra should follow 2016 policy. For the establishment of new retail outlets, only motor gasoline storge should be accounted for. The Ogra being a regulator shall provide a level playing field to all OMCs. When asked about demands, chairman OMAP appealed to the governor State Bank of Pakistan to announce some relief for the oil marketing companies in the wake of recent Pakistani rupee depreciation. Tariq Wazir Ali dissociates himself from the news published in the section of the media recently published in which the Ogra was allegedly called regulator bias. He highlighted the difficulties of doing business in Pakistan especially in the petroleum sector where the price, situation and challenges are changing frequently. He said that issues being faced by small and emerging OMCs are being highlighted again and again before government, authorities and other stakeholders but a number of issues still need focus and immediate resolution.

On question regarding challenges of petroleum sector due to Letter of Credit (LC) issues, Tariq Wazir Ali was of the view that the industry which was already facing problems now faces loss of billions of rupees as the rates of LCs will be settled later but the products already been sold. Although there is compensation available in terms of foreign exchange losses allowed for LCs up to 60 days using PSO as a benchmark but that’s not enough in all circumstances. But the industry has suffered since the increase in price announced on January 29, 2023. It is also observed that in the past 18 months, the banking sector has reduced financing to the oil industry irrespective of the Rupee depreciation which also added its part in the challenges for the industry. This has also caused shrinking the LC limit to 15 to 20 percent.

“There is a reason behind this suffering that PSO is settling its LCs for KPC HSD not on announced 60 days but its own 30 to 45 days. Actual payable is cleared by GoP later if PSO settles its obligation in less than 60 days. This should be passed on to the general public so that the industry might decrease its losses,” Tariq said. When asked about the role of Ogra, Chairman OMAP Tariq Wazir Ali explained that no doubt the positive policies of Ogra helped the small OMCs to established their business and number of OMCs increased in Pakistan for better consumers service but still there are numbers of issues being faced by OMCs which needs to be addressed soon.

First and most important is considering the teething problems faced in setting up new OMCs. We expect dedicated staff for handling the issues of emerging/ new OMCs and we expect a level playing field regarding big OMCs. The OMAP member companies have spent billions of rupees on oil storage and allied infrastructure in the country. He said emerging and small OMCs worked at a high cost of doing business for the betterment of the country and played a key role in strategic reserve enhancement in the country.

On question regarding marketing share and storage made by emerging OMCs, chairman OMAP noted that small and emerging OMCs have worked a lot on storage development, the storage capacity of emerging OMCs is 40 percent of the country’s total storage. “We are still working on further increasing the oil storage capacity in the country and infrastructure, by the end of the current year, the storage share of emerging/ new OMCs will be 50 percent in the country, a big milestone of new OMCs.

Seeking chairman Ogra’s attention towards another important issue, Tariq Wazir explained that the maneuvering of Inland freight equalization (IFEM) there is a negative IFEM of Rs 10.70 per liter on HSD which is causing issues of working capital. This is affecting the Oil industry financially. “We would also like to highlight the issue of the calculation of this amount on purchases rather than sales. This is like the PDC discussion where the industry had correctly convinced Ogra to apply it based on actual sales so over/under application of this amount could be avoided,” Tariq added. Tariq Wazir Ali further said the OMAP is striving for the rights of emerging small Oil Marketing Companies (OMCs), who are playing a vital role in the petroleum industry of the country. The government’s vision and the Ogra’s policies have played a positive role and helped in establishing small OMCs. He said that there should be a level playing field for all the stakeholders.

R 21-2-2023

# FUEL COST FOR POWER GENERATION RISES 59PC

KARACHI: The cost of fuel for electricity generation in January went up 59 per cent to Rs11.20 per unit from a month ago, according to data recently released by the National Electric Power Regulatory Authority.

The rise in the fuel cost was triggered by a decline in hydel- and nuclear-based power generation, according to Tahir Abbas, head of research at Arif Habib Ltd. The share of hydel in the power generation mix slid to 9.4pc in January from 20.4pc in December. The drop in the contribution of hydel led to the spike in the overall average cost since electricity obtained from dams carries zero fuel cost. Similarly, the share of nuclear power dropped to 22pc in January from 27.1pc in the preceding month. The fuel cost for nuclear power generation is only Rs1.07 per unit, lowest of all sources except renewables.

The per-unit cost of coal-generated power increased to Rs16.05 per unit in January, up 39.6pc from the preceding month. Thar coal isn't benchmarked to the international prices and is, therefore, significantly cheaper than its imported counterpart. However, Pakistan still burns imported coal to produce electricity partly because of limited supplies from the Thar fields. The share of coal in the power mix last month was the largest at 28.7pc versus 18.1pc in December.

The average cost of re-gasified liquefied natural gas (RLNG) increased 8.4pc on a monthly basis to Rs21.91 a unit, which contributed to the overall cost of fuel for electricity generation in January.

Dawn 21-2-2023

# MOTION FILED WITH NEPRA: GOVT SEEKS ADDITIONAL SURCHARGE OF RS3.39/UNIT FOR 4 MONTHS

ISLAMABAD: The Federal Government has filed a Motion with National Electric Power Regulatory Authority (Nepra) to impose additional surcharge of Rs 3.39 per unit across the country for four months, i.e., March-June, 2023, which will be reduced to Re .1 per unit from July 1, 2023, sources in Power Division told *Business Recorder*.

The federal government envisaged arrangements whereby the GoP guaranteed finance facilities have been executed through Power Holding Limited (PHL) for the funding of the power sector payables. 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. 0.43/ kWh under section 31 of the Act notified on March 22.2018 as modified from time to time.

According to Power Division, the FC surcharge @ Rs 0.43/ kWh is not sufficient to cover mark-up charges of total PHL loans as mark-up of remaining loans is being paid from revenue collected through electricity sales but it constrains the essential fuel and debt payments to the suppliers.

Power Division maintains that concerning the issue Economic Coordination Committee (ECC) of the Cabinet on February 10, 2023 duly ratified by the Cabinet on February 14, 2023. approved the additional surcharge of Rs. 3.39/ unit to be recovered for period from March to June 2023 to cover the mark-up charges of PHL loans not covered through already applicable FC surcharge 0.43/kwh for FY 2022-23, total surcharge becomes Rs. 3.82/kWh for the said period and for FY 2023-24.

However, additional surcharge of Rs. 3.39/unit be reduced to Rs. l/unit to cover the additional mark-up charges of PHL loans not covered through already applicable FC surcharge @ 0.43/kwh the total surcharge becomes Rs. 1.43 unit for FY 2023-24. It was also decided that the plan be submitted to the Authority for incorporation of both surcharges, i.e., Rs. 3.82/kWh and Rs. 1.43/kWh for four months of FY-23 and FY-24, respectively, in the latest Schedule of Tariffs of Discos.

Power Division argues that the surcharge so collected is within ten percent of the aggregate revenue requirement of all electric power suppliers, engaged in supply of electric power to end consumers, as determined by the Authority. Once considered and approved, it will lead to determination of revised uniform tariff in terms of section 31 of the Act for notification by the Federal Government to the extent of modification of existing determined notified rate (inclusive of subsidy/ tariff rationalization surcharge). Further, in accordance with clause 5.6.3 of the Policy, the government may maintain a uniform consumer-end tariff for K-Electric and Discos even after privatisation through incorporation of direct/ indirect subsidies. Accordingly, KE applicable uniform variable charge is required to be modified to recover revenue requirements of KE determined by NEPRA (inclusive of quarterly adjustments) keeping in view the proposed targeted subsidy and cross subsidies which will also be consistent with the surcharge approved for Discos.

Once the Government proposal is approved by the Regulator, the uniform Scheduled of Tariff (SoT) of Discos would be revised by incorporating surcharges, to be notified in official gazette by way of modification/ amendments in existing SROs. Separate revised SoT for K-Electric after incorporating surcharges would be notified in the official gazette.

In another request, Power Division has also sought Nepra's stamp on staggering of fuel charges adjustment against flood affected consumers applicable for August and September 2022 to be recovered in eight months starting from March 2023 to October 2023.

Dawn 21-2-2023

## DIGITAL LENDING COMPANIES: SECP WORKING WITH GOOGLE, APPLE TO REMOVE UNAUTHORISED APPS

ISLAMABAD: The Securities and Exchange Commission of Pakistan (SECP) is actively coordinating with Google and Apple for the removal of unauthorised loan apps offered by digital lending companies.

Sources told Business Recorder here on Monday that a total of 58 unauthorised apps had been reported to Google for removal during January 2023. At the same time, one such app has been reported to Apple. In response to the SECP's request for the future listing of personal loan apps for Pakistani users, Google has initiated a review of its policies. Google has been asked to limit its platforms to licensed entities only, in accordance with its policies for India, the Philippines, Kenya, Nigeria, and other countries.

According to the SECP data, the commission has received a total of 1,171 complaints against licensed digital lending companies from July 2021 to January 2023.

The SECP data compiled, on Monday, revealed that almost 99 percent of the complaints received by the SECP have been resolved/closed and relief was granted in case of all genuine complaints. As of October 31, 2022, these licensed digital entities had disbursed Rs60.13 billion in 4,254,201 loans, resulting in an average loan size of Rs14,135 per loan, the SECP data added.

Sources further informed that since July 2022, a total of 108 complaints have been received against unauthorised apps of digital lending companies. In this regard, besides liaising with the local regulators concerned (ie, Pakistan Telecommunication Authority (PTA), Federal Investigation Agency (FIA), and the State Bank of Pakistan (SBP)), the SECP has also liaised with Google and Apple for the removal of unauthorised apps. When asked about an increase in the number of lending applications being registered with the SECP, sources stated that some applications for grant of license as microfinance companies are in process. Moreover, the licensed NBFCs can now operate only one mobile application. In addition, all the NBFCs operating mobile apps or planning to launch a new app are required to submit a certificate from the PTA-approved cyber security audit firms regarding compliance with all requirements of the SECP's Circular 15 of 2022.

In response to growing concerns about misselling, privacy violations, and forced recovery tactics by licensed digital lending NBFCs, the SECP has issued Circular 15 to set digital lending standards applicable on Non-Banking Finance Companies (NBFCs) undertaking lending activities through digital channels/mobile applications (Apps). Under the circular, the requirements stipulate minimum mandatory disclosures and provision of Key Fact Statement (KFS), before loan disbursement to the borrower. To discourage non-licensed digital lenders, the licensed digital lender shall be required to disclose its full corporate name and licensing status on its lending platform(s)/App(s), and ensure that any advertisement and publication shall be fair and not contain misleading information.

In addition, SECP has also specified a comprehensive grievance redressal mechanism over and above the current NBFC grievance redressal framework. Further, in order to ensure confidentiality and privacy of data, digital lenders will not be allowed access to the borrower's phone book or contacts list or photo gallery, even if the borrower has given consent in this regard, the SECP officials added.

## SENATE REJECTS TWO PRIVATE BILLS INCLUDING STATE BANK OF PAKISTAN (AMENDMENT) BILL 2022 WITH BISP BILL

ISLAMABAD: The federal government, Monday, refused to allow an increase in the stipend offered to deserving beneficiaries under Benazir Income Support Programme (BISP) by opposing the Benazir Income Support (Amendment) Bill 2022, as well as, State Bank of Pakistan (Amendment) Bill 2022 in the Senate that led to the rejection of both these private bills by the house. Samina Mumtaz Zehri from Balochistan Awami Party (BAP) was the mover of the Benazir Income Support (Amendment) Bill 2022 whereas two Pakistan Tehreek-e-Insaf (PTI) legislators Zeeshan Khanzada and Faisal Saleem Rahman moved the State Bank of Pakistan (Amendment) Bill 2022.

On the final day of the Senate’s “mini-budget session,” Samina Zehri sought from the house leave to move the Benazir Income Support (Amendment) Bill 2022. She said the bill aimed to amend Benazir Income Support Act 2010 to increase the financial stipend for BISP beneficiaries.

The senator argued that the financial assistance offered by BISP was not at par with the spiralling inflation. According to the lawmaker, inflation in Pakistan is currently recorded at 40 per cent and “whatever is being offered by BISP to the needy is not enough at all.”

However, State Law Minister Shahadat Awan opposed the bill citing a shortage of funds. Chairman Senate Sadiq Sanjrani held a voice vote on the bill which led to the rejection of the bill by majority vote.

State Bank of Pakistan (Amendment) Bill 2022 aimed to amend the State Bank of Pakistan Act 1956 for shifting the SBP headquarters from Karachi to Islamabad. Briefing the house over the bill, Khanzada said shifting of SBP head office from Karachi to Islamabad would help address the issues related to the banking sector including those concerning Khyber-Pakhtunkhwa and Balochistan. Khanzada sought leave from the Senate to move the bill in the house. Again, the state law minister opposed it on the grounds that the shifting of SBP would put extra burden on the national kitty.

A voice vote was held on this bill too, leading to its rejection by the house by majority vote. Two other private bills: Civil Servants (Amendment) Bill 2023 and National Commission on the Rights of Child (Amendment) Bill 2023 were introduced and referred to the relevant standing committees. The house adopted a motion allowing the use of the Senate chamber for the house's golden jubilee celebrations next month. PTI's Gurdeep Singh moved the motion. Senate session was prorogued.

## ILLEGAL ALLOTMENT OF AMENITY PLOTS: AC ADJOURNS HEARING OF CASE AGAINST FORMER SBCA CHIEF, OTHERS

ISLAMABAD: The Accountability Court on Monday adjourned hearing of the case about illegal allotment of amenity plots at Nehr-e-Khayyam, Karachi, to M/s Friends Associates, against Manzoor Qadir alias Kaka, an influential man close to the Pakistan People's Party (PPP), and others till March 17.

The Accountability Court-II judge, Nasir Javed Rana, while hearing the case adjourned the case till March 17 due to the non-availability of the National Accountability Bureau (NAB) prosecutor. The 16 accused in the case include former SBCA DG Manzoor Qadir alias Kaka, Omni Group's Abdul Ghani Majeed, Rauf Akhtar Farooqi, Badiuz Zaman, Mumtaz Haider, Rashid Aqeel and Anwar Abbasi. The NAB on May 23, 2019, authorised the filing of a corruption reference against the former director general of SBCA, Karachi, and others. The accused persons by misusing their authority allegedly allotted the government land at Nehr-e-Khayyam, Karachi to the M/s Friends Associates which incurred a loss of Rs3 billion to the national exchequer. According to the NAB, the accused used a fake account for the payment of plots.

R 21-2-2023

## STEEL BAR PRICES SWELL BY 30PC IN 7MFY23

KARACHI: Amid a declining trend in the world's iron and steel scrap market, consumers continued to face multiple price shocks in steel bar prices in the first seven months of the current fiscal year due to massive rupee devaluation. Manufacturers raised steel bar prices by 30 per cent from July 1, 2022 to Jan 31, as a result of a 35pc rupee devaluation which had increased the landed cost of imported items thus offsetting the benefit of the falling trend on world markets.

On July 1, 2022, one US dollar was trading at Rs204 versus Rs275 on January 31 in the interbank. Seven months back, the good quality steel bar price was Rs236,000 per tonne compared to the current Rs306,000 per tonne including the impact of a 1pc hike in general sales tax.

The Pakistan Bureau of Statistics (PBS) data showed that the average per tonne price of iron and steel scrap in January fell to $499 from $525 in December 2022, while in January 2022 the APT was $623. Despite issues in the opening of letters of credit (LCs), total iron and steel scrap imports rose to 225,255 tonnes ($112m) in January from 191,681 tonnes ($100m) in December 2022, while in January 2022 it was 338,832 tonnes ($211m).

In 7MFY23, the imports plunged by 36pc in quantity and 43pc in value to 1.560m tonnes ($818m) from 2.455m tonnes ($1.442bn) in the same period last fiscal year. However, the average per tonne price fell to $524 from $587. However, the import cost of scrap has dipped due to an improving rupee strength against the greenback. On Feb 3, one dollar was available at Rs276 in the interbank as compared to the current rate of Rs261.88. On Feb 3, a good quality steel bar rate was priced at Rs288,000 per tonne.

Pakistan Association of Large Steel Producers Secretary General Wajid Bukhari said scrap imports in January were the lowest in the last five years. Manufacturers are unable to secure raw materials entering into a force majeure shutdown in the coming months. The situation is only going to get worse if the State Bank does not act quickly to facilitate LC opening," he added.

R 21-2-2023

# EU CALLS FOR FAST-TRACK CRYPTO CAPITAL RULES FOR BANKS

February 20, 2023

LONDON, Feb 20 (Reuters) - Tough capital rules for banks holding cryptoassets must be fast-tracked in the European Union's pending banking law if Europe wants to avoid missing a globally-agreed deadline, the bloc's executive has said.

The global Basel Committee of banking regulators from the world's main financial centres has set a January 2025 deadline for implementing capital requirements for banks' exposures to cryptoassets such as stablecoins and bitcoin. "For the time being, banks have very low crypto-asset exposures and only a limited involvement in providing crypto-asset-related services," the European Commission said in an informal discussion paper seen by Reuters. "Banks have expressed interest in trading crypto-assets on behalf of their clients and to provide crypto-assets-related services."

Basel's standards are applied in the EU with a law, and a delay could mean that banks have to wait longer to enter the cryptomarket as separate EU rules for trading cryptoassets come into force in 2024. To enforce Basel's crypto rules, the EU could either propose a new law, or expand the banking law it is now finalising as called for by the European Parliament.
Parliament and EU states have equal say on the banking law and are due to start negotiating the final text, which could include the provisions on cryptoassets, the paper said.

This would give banks clarity on their requirements for crypto-asset exposures and would ensure that risks stemming from these are adequately addressed, the Commission paper said. "From an international perspective, it would also allow the EU to fully align itself with the implementation deadline agreed on at Basel level."

A separate draft law would not be forthcoming until the end of 2023 at the earliest, the paper said. Parliament goes to the polls mid-2024, making it harder to approve a new law in time for 2025.

The Commission paper also suggests that the bloc's European Banking Authority (EBA) could coordinate with the EU's securities watchdog ESMA to ensure that cryptoassets are properly categorised.

Basel has set punitive capital charges on unbacked crypto currencies like bitcoin, and less conservative charges on stablecoins, which are backed by an asset or fiat currency.

It could also be useful to mandate EBA, in cooperation with ESMA, to maintain a list of how existing cryptoassets are categorised, the paper said.

https://www.reuters.com/markets/europe/eu-calls-fast-track-crypto-capital-rules-banks-2023-02-20/