$700M CHINESE LOAN LANDS IN SBP ACCOUNT

KARACHI: The country has received inflows amounting to $700 million from China to build the sliding foreign exchange reserves. Recently, China Development Bank (CDB) had approved a loan facility of $700 million for Pakistan to ease its cash crisis. After meeting the loan formalities, the pledged amount has arrived into the State Bank of Pakistan (SBP) account on Friday. "Yes, the State bank has received $700 million from China as loan," the SBP spokesman confirmed to *Business Recorder*.

Analysts said that these inflows will help shore up the country's depleting foreign exchange reserves. Pakistan for the last one year is facing a serious cash crisis and is in dire need of foreign inflows to meet its external obligations and avoid default.

Currently, the SBP's foreign exchange reserves stand at around $3.25 billion as on February 17, 2023 and hardly enough to cover 20 days imports. With the arrival of CDB inflows, the SBP's reserves are likely to rise to $3.9 billion, if no major external debt payment was made. China continues to enhance its support for Pakistan's economic stability in a difficult time and overall, it has provided $3 billion financial support in the shape of loans during the last 8 months.

Previously, in June last year, Pakistan signed a commercial loan deal of RMB 15 billion with a Chinese consortium of banks to boost the sliding foreign exchange reserves of the country. Accordingly, an agreed Chinese consortium loan of RMB 15 billion (roughly $2.3 billion) was credited into SBP account on June 24, 2022.

The government is also negotiating with the International Monetary Fund (IMF) for disbursement of $1.1 billion of the Extended Fund Facility (EFF) program. The government has recently announced a mini budget to fulfil the IMF conditions for release of EFF tranche. Hopefully, the Fund is likely to make a decision on the release of the EFF tranche next week.

Finance Minister Ishaq Dar believes that with the arrival of these inflows, the country's forex reserves' situation would be improved by end-June.

R 25-2-2023

GOVT RESERVES 25% QUOTA FOR HAJJ PILGRIMS DEPOSITING DUES IN DOLLARS

ISLAMABAD: The Ministry of Religious Affairs and Interfaith Harmony has decided to allocate a 25 per cent special quota in the government's Hajj Scheme for the pilgrims who will deposit their dues in dollars.

The ministry also decided that the intending pilgrims, paying fee in dollars, would be exempted from the balloting under the new Hajj policy, official sources said on Friday.

They said about 22,400 pilgrims would benefit from the 'Sponsorship Scheme' being introduced by the ministry in the wake of the prevailing foreign exchange crisis in the country.

The Hajj expenses could also be submitted through foreign remittances in dollars, the sources added.

They said the Ministry of Finance had indicated that it would not be able to arrange some $2 billion for the Hajj amid the foreign currency shortage.

The sources said the Ministry for Religious Affairs had increased the Hajj quota for private operators from 40 per cent to 50 per cent, which might be further raised in the wake of persistent foreign exchange liquidity crunch. They said the ministry would charge Rs1.1 million from each pilgrim under the government scheme, but the Hajj expenses might rise to Rs1.3 million in case of further depreciation of the rupee.

The sources said the Saudi government was increasing the tax rate on Hajj by 18 to 20 per cent.

TR 24-2-2023

EQUIPMENT IMPORT: IPPS SEEK AMENDMENT TO SBP'S CIRCULAR

ISLAMABAD: Independent Power Producers (IPPs) have sought amendment to State Bank of Pakistan (SBP) Circular of December 27, 2022 for treating their imports as essential items to avert generation shortfall despite available installed capacity.

Independent Power Producers Advisory Council (IPPAC) in a letter to Secretary Power, copies of which have been sent to Chairman Nepra, CEO CPPA-G and Managing Director NTDC, has explained the reasons behind the proposed amendment to the SBP circular. According to the letter, restrictions on import of equipment are going to hamper IPPs availability for power generation if remedial measures are not taken immediately.

On July 5, 2022 in an EPD circular, State Bank of Pakistan advised banks to seek prior approval from its Foreign Exchange Operations Department (FOED) for initiating import transactions against items mentioned in the circular. Later on the SBP, in another EPD circular of December 27, 2022 withdrew its circular with effect from January 2, 2023. Consequently, requests for import transactions already submitted were returned.

The IPPAC claim that alternatively, Section 3 (iii) of EPD Circular letter of December 27, 2022 has been provided for energy imports, however, it restricts the imports related to only petroleum group (oil and gas) and coal (for power projects based upon merit order of Ministry of Energy). Whereas, there is no mention of other essential imports of spare parts etc. for the repair and maintenances of power plants.According to the IPPAC, due to the said restrictions IPPs have been facing challenges in making payments to foreign suppliers against LCs and bank contracts which were opened after taking requisite approval from SBP. "This has really hurt IPPs credibility with Original Equipment Manufacturers (OEMs) and they are not willing to accept new orders and dispatch the already ordered goods until their pending payments are released in full," stated the 14 members of IPPAC

According to Implementation Agreement between GOP and IPPs timely availability of the required foreign exchange to IPPs is ensured. Regular import of spare parts is required for periodic and breakdown maintenance of plant and machinery. After the imposed restrictions, requests for opening of LCs are not being entertained by banks due to non-availability of foreign exchange.

The IPPAC is of the view that non-availability of spare parts due to import restrictions will result in stoppage of these plants which are very reliable in terms of plant availability in summer. Consequently, National Grid will have to suffer power shortfall despite available installed capacity. The stoppage of thermal power plants will have compounding impact as it may cause clogging in the fuel supply chain eventually resulting in slowing down the country's economy.

In view of existing awkward situation, IPPAC has urged the concerned authorities to coordinate with the SBP for treating imports by IPPs as essential imports by amending the circular (EPD Circular Letter No. 20 of 2022). The IPPAC has proposed that the existing provisions of the circular which states that imports related to petroleum group (oil and gas) and coal (for power projects-based upon merit order of Ministry of Energy) be replaced with the wording "imports by petroleum group (oil and gas) and power generation companies connected with National Grid."

The private power generation companies have requested concerned authorities to take up this matter with the SBP on most urgent basis and facilitate in resolving issues of LC and payments under respective O&M agreements for parts and services and give them opportunity of meeting to apprise them of the criticality of the matter for whole power generation supply chain system.

The power companies which have written letter are: (i) M/s Atlas; (ii) Attock Gen Ltd; (iii) M/s Halmore Power Generation Company (Pvt) Ltd; (iv) Kohinoor Energy Ltd; (v) Lalpir Power Ltd; (vi) Liberty Power Tech Ltd; (vii) M/s NishatChunian Power Ltd; (viii) Nishat Power Ltd; (ix) Orient Power Company (Pvt) Ltd; (x) Pakgen Power Ltd; (xi) Rousch Pakistan Power Ltd; (xii) Saphire Electric Company Limited; (xiii) Uch Power (Private Limited and; (xiv) Uch-II Power (Private Limited).

R 25-2-2023

CENTRE PLANS DISCOS' HANDOVER TO PROVINCES: COMES UP WITH PROPOSAL ON FEARS CIRCULAR DEBT MAY JUMP TO RS3 TRILLION

ISLAMABAD: The federal government has proposed an ambitious roadmap for transferring 10 power distribution companies (DISCOs) to provinces, as it fears that power sector's circular debt may jump to Rs3 trillion without addressing the issue of bad governance.

The Ministry of Energy has sent a position paper to Prime Minister Shehbaz Sharif and four provinces for handing over control of DISCOs, mostly loss-making, to the provinces.

"Circular debt has already reached Rs2.5 trillion and it is feared that another Rs500 billion may be added owing to theft and non-recovery of computed bills by 10 DISCOs," the energy ministry wrote in the paper.

The admission that theft and line losses alone will add Rs500 billion to the debt indicates that the International Monetary Fund's (IMF) approach of "fiscalisation" of power-sector losses by solely increasing tariffs will not end the flow of circular debt.

In a bid to conclude an IMF deal, the government has already conceded to recover an additional Rs325 billion from the electricity consumers by increasing prices. Both sides have also been negotiating the IMF's demand to impose a debt servicing surcharge of Rs3.82 per unit as a permanent feature to settle the circular debt.

The revised Circular Debt Management Plan, which the cabinet has already approved, shows a reduction of only Rs12 billion in circular debt by reducing line losses of the 10 companies.

The Ministry of Energy, in the position paper sent to the four federating units, has suggested a six-month timeline for giving control of these "bleeding elephants", details showed.

The ministry underlined that the recovery of bills had been a constant challenge since long that resulted in the accumulation of circular debt. The current legal and administrative structure of electricity distribution entails the role of provincial governments.

"It has been observed that the provincial governments view the operations of DISCOs as purely a federal function and hence do not lend requisite support, primarily for the collection of bills from defaulters," said the paper.
"Performance of DISCOs cannot improve without the active participation of provincial governments," stated the energy ministry. It added that in the present situation where the country was facing the toughest economic challenge in its history, it "is all the more important that the management of DISCOs is handed over to another entity since it is very difficult to oversee their performance at the ministry level".
All governments have been using the DISCOs as a means to achieve their political objectives and have themselves blocked their privatisation in the past.
The fresh roadmap has been prepared after the government of Sindh approached the centre with the proposal to hand over control of two DISCOs – Hyderabad Electric Supply Company (Hesco) and Sukkur Electric Power Company (Sepco).
Hesco incurred 28.06% distribution losses in the last fiscal year as against the National Electric Power Regulatory Authority's (Nepra) target of 18.6%. Similarly, Sepco sustained 35.6% losses against the permissible limit of 17.14%, contributing to the build-up of circular debt.
However, the transfer of these entities to provinces will not solve the problem until it is decided to end the uniform tariff policy, under which an honest consumer of Islamabad pays for theft in Sukkur and Karachi.
The energy ministry underlined that the governments of Punjab and Khyber-Pakhtunkhwa had also shown a positive response. But the government of Balochistan has regretted. Quetta Electricity Supply Company's distribution losses amounted to 28.1% in the last fiscal year as against the permissible limit of 14.3%.
The energy ministry has proposed a highly ambitious plan of handing over these companies to provinces within six months. The next step is a meeting between the prime minister and chief ministers of provinces within seven days of sharing the paper.
The position paper talks about convening a special meeting of the Council of Common Interests (CCI) six days after the meeting with PM and then signing a memorandum of understanding with the provinces within six days.
The ministry sees technical-level consultations and data sharing with provinces and agreements on the principles of transfer in 64 days. Only 30 days have been earmarked for getting approvals from the federal cabinet and Nepra and another 32 days for hiring technical advisers.
The ministry sees business transfer agreements in 26 days after the hiring of transaction advisers. Implementation agreements are planned to be signed within 15 days of the transfer of business agreements.
Implementation agreements will cover the power purchase agreement, tariff differential subsidy agreement, interconnection agreement and fiscal adjustment agreement.
However, the Power Division has not yet been able to resolve the issue of K-Electric sale with Shanghai Electric Power over the past seven years. It has also been unable to finalise new agreements with K-Electric.
"Provinces are in a better position not only to reduce line losses but also to arrest the trend of electricity theft and improve recovery," said the paper.

TR 25-2-2023

CCP ACTIVELY INVESTIGATING KEY SECTORS: MOF ADVERTISES 4 VACANT POSITIONS OF MEMBERS

ISLAMABAD: The Ministry of Finance has advertised four vacant positions of members of the Competition Commission of Pakistan (CCP), but the commission is actively pursuing investigations in various key sectors including telecom, chemical, cement, wheat, banking, and poultry.

Sources told *Business Recorder* here on Friday that the industries and sectors have committed violations of sections 3, 4, and 10 of the Competition Act, 2010.

In accordance with the law, the Commission is mandated to comprise 5-7 members, albeit in practice, five members are typically appointed. Currently, the Commission is operating with only one member, who also serves as the chairperson. The addition of four members will ensure that the Commission is fully constituted and functioning optimally. After advertising three vacant positions of the Members of the CCP in December 2022, the Ministry of Finance has announced a job opening for the position of 4th Member. Out of the three advertised positions in December 2022, two had fallen vacant in March 2022 with the term completion of ShaistaBano and BushraNaz Malik while the third one was an old vacant position. The 4th position fell vacant with the appointment of Mujtaba Ahmed Lodhi as SECP Commissioner in December 2022.

The CCP is entrusted with the crucial responsibility to promote competition and correct anti-competitive behaviour. Sources told Business Recorder that the CCP's crucial work largely remains unaffected and work on several enquiries is underway. In line with its mandate under the Competition Act, 2010, the CCP has persevered in its efforts to enforce penalties against vested interests and cartels, despite their attempts to delay enforcement through court-issued stay orders. Over the past two years, the CCP has taken record-breaking enforcement actions, with concluding over 37 inquiries, initiating over 38 new ones, and issuing 15 orders against 134 undertakings, resulting in total penalties of approximately Rs45 billion.

The major sectors where the law has been enforced include sugar, cement, cooking oil and ghee, poultry, automobile (including tractors), paint, lubricants, real estate, steel, fast-moving consumer goods, milk, food and beverages, electronic goods, glass, and e-commerce.

In the area of cartels and trade abuse, the CCP has initiated 22 new inquiries, concluded 14, and issued 5 orders against 93 undertakings. The largest penalty of Rs43.59 billion was imposed on the Pakistan Sugar Mills Association and its 84 member sugar mills, while Haier Pakistan (Pvt) Limited was fined Rs1 billion for downstream cartelization. In the area of deceptive marketing practices, the CCP concluded 23 inquiries and initiated 15 new ones. Additionally, two Policy Notes on the sugar and wheat sectors were issued to the government during the same period.

The CCP's enforcement work involves an elaborate legal procedure from the initiation of the inquiry to the passing of the order. To this end, the CCP issued 175 show cause notices to undertakings, giving them a full opportunity to be heard. In 10 inquiries, the CCP also conducted searches and inspections on the premises of different undertakings. Over the same period, the CCP approved 171 mergers and acquisitions in phase 1 and three in phase 2, and granted 131 exemptions under the law. It also continued to take advocacy initiatives to create awareness and held capacity-building programs for its employees. As part of its mandate to review policy frameworks, the CCP's draft pilot study on the "Assessment of Supply Chain from Farm gate to Retail" recommends policy measures to enhance economic efficiency and eliminate distortions in the supply chain of essential commodities. Similarly, its report on the SME sector will offer recommendations for improving the economic efficiencies of SMEs.

Consultative sessions have commenced on the CCP's draft "E-Commerce Policy Guidelines" and the pilot study for deliberations with stakeholders. Furthermore, several policy and research initiatives are in different phases of completion, sources added.

LLP, CO REGISTRATION, FILING AND COMPLIANCE: SECP EXHIBITS NEW PROTOTYPE OF REGULATORY PROCESSES

ISLAMABAD: The Securities and Exchange Commission of Pakistan (SECP) held a thematic workshop to demonstrate the prototype of redesigned digital regulatory processes for Limited Liability Partnership (LLP), company registration and filing and compliance. Under its digitalization program, "Leading Efficiency through Automation Prowess (LEAP)," the SECP has identified key business processes that need to be reviewed, documented, re-engineered and automated.

The second thematic workshop was organized in collaboration with technology implementation partner Techlogix Pakistan and project consultants Ernst & Young (EY). In the interactive and consultative workshop, the second in the series, participants from the corporate sector and other regulated entities shared their feedback on prototype of redesigned automated procedures. Uzma Khan, the LEAP program manager from the SECP, discussed the impact of digital developments and integration of systems on the customer experience. She discussed the "The SECP Digital Transformation Program (LEAP) initiatives like digital & IT strategies, business process re-engineering, automation of re-engineered business processes (Company Registration & Internal workflows), XBRL and Security Operations Centre (SOC). She emphasized the importance of digital-first approaches to improve, digitize and automate external interactions and internal processes.

PINK RESIDENCY CORRUPTION CASE: AC ISSUES NON-BAILABLE ARREST WARRANT FOR ACCUSED

ISLAMABAD: The Accountability Court, on Friday, issued a non-bailable arrest warrant for an accused of the Pink Residency corruption case regarding the illegal regularisation of land for not appearing before it. The Accountability Court-II judge, Nasir Javed Rana, while hearing the case issued a non-bailable arrest warrant for an accused, Aftab Ahmed Memon for not appearing before the court. The other accused of the case include Abdul Ghani Majeed, Khawaja Anwar Majeed, Abdul Jabbar Memon, Muhammad Shabbir, and others. The court during the previous hearing fixed March 8 for the announcement of its reserved judgment on the petitions of the accused in which they challenged the territorial jurisdiction of the court, in view of the amendments made by the coalition government to the NAB law.

The NAB filed a Pink Residency case against Omni Group Abdul Ghani Majid and 16 others. The reference pertains to a project, "Pink Residency" in Karachi's Gulistan-e-Jauhar area. The accused had been allegedly involved in the illegal regularisation of two plots in Gulistan-e-Jauhar. One of the plots measured 23 acres of land, while the other was seven acres. The anti-graft body has alleged that financial transactions related to the illegally-regularised plots were conducted through fake bank accounts. The NAB estimates that the illegal land regularisation and consequent sale caused a loss of Rs 4 billion to the national exchequer.

FIA SMASHES GANG INVOLVED IN SALE OF FAKE DOLLARS

LAHORE: A team of FIA Cyber Crime Circle Lahore has smashed a gang allegedly involved in the sale of fake US dollars. The FIA team arrested three members of the gang who were identified as Suhail Ahmed, Fahd and Zaka. The accused were charged with selling fake dollars worth Rs 1.7 million. They have been arrested from different areas of Lahore. The FIA has also recovered fake dollars from their possession. The accused used to sell the fake dollars by using different currency exchange applications. They had also given online advertisements for their business. The FIA has started investigations.

R 25-2-2023

ANTI-MONEY LAUNDERING GROUP SUSPENDS RUSSIA: FATF

PARIS: Global anti-money laundering watchdog the Financial Action Task Force said on Friday it has suspended Russia's membership over Moscow's invasion of Ukraine.

The FATF sets standards for more than 200 countries and jurisdictions and seeks to help authorities tackle serious crime including drug smuggling, human trafficking and terrorism. "The Russian Federation's actions unacceptably run counter to the FATF core principles aiming to promote security, safety, and the integrity of the global financial system," the group said. It added that Russia was still accountable for implementing FATF's standards.

Following a five-day meeting in Paris, FATF added Nigeria and South Africa to its list of countries subject to increased monitoring, and removed Cambodia and Morocco from the category. Russia has been expelled from the Council of Europe and suspended from the UN Human Rights Council, but is still a member of many international organisations.

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