IMF FLAGS DEBT RESTRUCTURING HURDLES, SAYS BANNING CRYPTO SHOULD BE AN OPTION

February 25, 20237:24 PM GMT+5Last Updated 2 days ago

BENGALURU, Feb 25 (Reuters) - Group of 20 (G20) nations have some disagreements over restructuring debt for distressed economies, the chief of the International Monetary Fund (IMF) said on Saturday, adding that banning private cryptocurrencies should be an option. India's G20 presidency comes as its South Asian neighbours Sri Lanka, Bangladesh and Pakistan are seeking urgent IMF funds due to an economic slowdown caused by the COVID-19 pandemic and the Russia-Ukraine war.

China, the world's largest bilateral creditor, urged the group of big economies on Friday to conduct a fair, objective and in-depth analysis of the causes of global debt issues as clamour grows for lenders to take a large haircut, or accept losses, on loans. "On debt restructuring, while there are still some disagreements, we now have the global sovereign debt roundtable with consideration of all public and private creditors," IMF Managing Director Kristalina Georgieva told reporters after chairing the roundtable with Indian Finance Minister Nirmala Sitharaman. "We just finished a session in which it was clear that there is a commitment to bridge differences for the benefit of countries."

U.S. Treasury Secretary Janet Yellen said there were no "deliverables" from the meeting, which was mostly organisational. Further discussions of the panel, which includes major bilateral creditors including China, India and the G7 countries, several debtor countries, are planned around the time of the IMF and World Bank spring meetings in April. "We certainly had that agreement that this is a useful forum," Yellen told Reuters in an interview. "We look forward to participating in it."

CRYPTO RESTRICTIONS

Apart from restructuring debt, regulating cryptocurrencies is another priority area for India, which Georgieva agreed with. "We have to differentiate between central bank digital currencies that are backed by the state and stable coins, and crypto assets that are privately issued," Georgieva said. "There has to be very strong push for regulation... if regulation fails, if you're slow to do it, then we should not take off the table banning those assets, because they may create financial stability risk." Yellen said she had not suggested the "outright banning of crypto activities, but it was critical to put in place a strong regulatory framework."

https://www.reuters.com/world/imf-flags-debt-disagreements-says-banning-crypto-should-not-be-off-table-2023-02-25/

WORLD BANK PROMISES 'CONCESSIONALITY' IN DEBT RESTRUCTURING

February 25, 202311:30 AM GMT+5Last Updated 2 days ago

BENGALURU, Feb 25 (Reuters) - The World Bank will "provide as much concessionality to the debt treatment" for distressed economies as possible, its president told a meeting with the International Monetary Fund, India, China, and other creditor nations on Saturday. The remarks come amid calls by China, the world's largest bilateral creditor, that global lenders should take haircuts on loans extended to developing nations hurt by the impact of the Russia-Ukraine war and the COVID-19 pandemic.

The United States, meanwhile, has repeatedly criticised China over its "foot-dragging" on debt relief for dozens of low-and middle-income countries.

"The World Bank is committed to providing net positive flows in a way that maximizes concessionality in the restructuring process," David Malpass said at the Global Sovereign Debt Roundtable in India's Bengaluru city on the sidelines of the G20 financial leaders' meet. "We will provide as much concessionality to the debt treatment as possible." Malpass also said that he noted "constructive remarks" by a deputy China central bank governor at a G20 meeting on Friday that "gave room to move forward" on settlement of debt issues.

Reuters reported earlier this month that India, the current president of the G20 bloc, is drafting a proposal for G20 countries to help debtor nations by asking lenders to take a large haircut on loans. On Friday, Chinese Finance Minister Liu Kun told the G20 financial leaders that international financial institutions and commercial creditors should follow the principle of "joint action, fair burden" in debt settlements.

https://www.reuters.com/markets/world-bank-promises-concessionality-debt-restructuring-2023-02-25/

CPEC IPPs: GOVT WILLING TO AMEND PERA TO SATISFY CHINESE LENDERS

ISLAMABAD: The government has reportedly shown willingness to amend/ modify Pakistan Energy Revolving Account (PERA) to sort out concerns of Chinese lenders of CPEC IPPs with respect to payment in future, sources close to Managing Director PPIB told *Business Recorder*.

MD PPIB, sources said, has shared a report of meeting on PERA with Suo Yun Peng Director Asia and Africa Division, Department of International Cooperation National Energy Administrations, China and Gu Hong Bin Vice President of China Renewable Energy Engineering Institute (CREEI), requesting them to coordinate with CPEC IPPs, respective lenders and Sinosure to get their acknowledgment on the satisfaction of the Revolving Account arrangement shared by CPPA-G or comments on it, at the earliest. This will trigger the next meeting leading to the meeting of Joint Energy working Croup (JEWG) accordingly. Sharing the details, sources said a high-level meeting was held online during first week of Feb, 2023 between Pakistan and China, presided over by Secretary Power Division.

The Chinese side comprised representatives from China Renewable Energy Engineering Institute (CREEI), Export Import Bank of China (EXIM Bank), China Development Bank (CDB), China Construction Bank (CCB), Agriculture Bank of China (ABC) and Industrial and Commercial Bank of China (ICBC) but Sinosure, the Chinese insurance company, representatives were not present. From Pakistani side, the representation was from Ministry of Energy (Power Division), Ministry of Finance, PPIB, CPEC Authority, Pakistan Embassy in Beijing, CPEC IPPs and CPPA-G.

Secretary Power asked the Chinese lenders to share their views and comments on the Revolving Account Framework presently being followed by the Government of Pakistan in lieu of Revolving Account as per Revolving Account Agreement (RAA). But before that the background of the issue under consideration was highlighted by MD-PPIB, Shah Jahan Mirza and then the CEO CPPA-G. Rehan Akhtar updated the participants about the basic features and the implementation status of Pakistan Energy Revolving Account (PERA). Additional Secretary, Ministry of Finance informed the participants that the current scheme of payment with respect to Revolving Account is backed by GoP as the decision is made by the Federal Cabinet of Pakistan and Rs50 billion has already been approved by the Cabinet for the current Financial Year, i.e., (up to June, 2023) for onward payments to CPEC projects in respect of Revolving Account. However, on monthly basis, the amount of Rs. 4.00 billion can be withdrawn from PERA for payment to CPEC-Projects, as per the Federal Cabinet decision.

The queries raised by the Chinese lenders with respect to the continuity of the present scheme of Revolving Account, the responsible ministry for operations and maintenance of the Revolving Account, the tariff related issues along with the amendments required to be incorporated in Revolving Account Agreement, were responded by Pakistani side and the Chinese side were assured of the commitment of Government of Pakistan to keep the Revolving Account operational based on the consent/ acknowledgement of the lenders on the satisfaction of the Revolving Account opened with State Bank of Pakistan (SBP), in the spirit of cooperation.

R 27-2-2023

TAX-FREE, HIGH-YIELD T-BILLS MAY ATTRACT FOREIGN INFLOWS

KARACHI: High yields and tax-exempted profits could attract foreign investment to Pakistan, bankers and financial experts said, though it can only happen once the country manages to secure a $1 billion loan from the International Monetary Fund (IMF).

In a recent auction to raise domestic debt, the government raised Rs258 billion via Treasury bills at cut-off rates of as high as 20 per cent, triggering speculation that the State Bank of Pakistan (SBP) may also raise the policy rate by 200 basis points from the current 17pc in an off-cycle review. In another move, the government has exempted profits from investments in domestic bonds. On Friday, the finance ministry said that for non-resident institutions, the tax would be exempted on capital gains on investments in debt instruments.

Bankers said the current Treasury returns for non-resident institutions were highly attractive and tax exemption on profits had improved the borrowing appetite.

A Treasury bill is a certificate representing a loan to the federal government that matures in three, six or 12 months. In contrast, the long-term Pakistan Investment Bonds (PIBs) mature in three, five, 10 and 20 years. Because these certificates carry the full backing of the government, they are viewed as the safest investment.

"The Ministry of Finance has sharply increased interest rates to lure in hot money again, with some talk of capital gains tax exemption, making it even more attractive," said Faisal Mamsa, CEO of Tresmark, a terminal that tracks live prices of financial markets. "If the IMF comes in, inflows will gather momentum," he said. He said high interest rates on the local currency were also attracting dollar holders to offload their portfolio as the cost of carry was now substantial.

The SBP data shows that foreign exchange reserves held by commercial banks came down from $5.623 billion on Feb 3 to $5.468bn on Feb 17, a drop of 2.76 per cent. This indicates that dollar depositors have converted their savings, probably due to higher interest rates and to capitalise on the dollar rally.

In 2020, Pakistan attracted more than $4 billion in investment in Treasury bills and PIBs, but most of the investment evaporated within few months after the emergence of the Covid-19 pandemic.

Dawn 26-2-2023

PAKISTAN'S OIL REFINERY POLICY 2023 PRESENTED TO CABINET COMMITTEE

Anchor Pakistan's Oil Refinery Policy 2023 presented to Cabinet Committee Pakistan's "Oil Refinery Policy 2023" has finally been presented to the Cabinet Committee for approval in the form of a draft. This development marks a significant step towards the planned establishment of an oil refinery plant worth US$4.5 billion by a Chinese company in Gwadar, as well as the construction of an oil refinery plant worth over US$10 billion by Saudi Arabia and the UAE in Hub, Balochistan.According to Gwadar Pro, upon its formal approval, the cabinet committee is expected to provide tax exemptions and incentives to stakeholders and investors in the oil industry.

The refining policy is divided into two components, one concerning the existing local refineries, and the other regarding investments in new refineries across the country.

The policy has established a blueprint for exemption from an array of taxes and duties. This includes customs duty, surcharges, withholding taxes, general sales tax, any other ad valorem tax, or any other levies on imported equipment or materials intended for use in the refinery, without any prerequisite certification by the Engineering Development Board. Furthermore, the policy stipulates that the federal government will aid in the acquisition of comparable exemptions from provincial and local taxes. Exemptions will be available to foreign contractors or sub-contractors for the execution of services related to construction, operations, and engineering performed in Pakistan with respect to provincial and federal taxes. Refineries will be exempt from the withholding tax requirements under the Income Tax Ordinance 2001 for payments made to non-resident individuals, including contractors or their associates, for the acquisition of machinery or equipment to be installed in the project.According to the draft policy, if the
pricing regime is deregulated between January 1, 2023, and December 31, 2028, refineries will be allowed to retain the prevalent customs duty in the ex-refinery price.

However, if the existing pricing mechanism or regulated pricing regime remains applicable after December 31, 2028, the applicability of prevalent customs duty to the ex-refinery price of finished products will be reviewed. In the event that the pricing regime is deregulated after December 31, 2028, refineries will be free to set prices for their products. Additionally, customs duty above 10% will be returned to the Oil and Gas Regulatory Authority (Ogra) under the Inland Freight Equalisation Margin (IFEM) framework.An official from OGDCL told Gwadar Pro that no new refinery has been established in Pakistan over the past 40 years, and that the country needs a new plant with a capacity to process 400,000 barrels of crude per day to meet its high demand for petroleum. Upgrading existing refineries could also increase their installed capacity to meet consumer needs. Currently, Pakistan's oil refineries are meeting 55% of the annual demand for petroleum
products and saving foreign exchange of US$1 billion. They use approximately 70,000 barrels of local crude and condensate per day and claim to provide more than 100,000 direct and indirect employment opportunities while making a reasonable contribution to the national exchequer and GDP.In addition to approving incentives for upcoming oil refineries from China and the Gulf region, the Pakistani government is urging the five local refineries to upgrade, requiring significant capital investment. Furthermore, to meet the country's demand, which is currently being met through imports, an additional refinery with a capacity of 300,000 to 400,000 barrels per day and a petrochemical facility costing US$10-15 billion is required.

Times 26-2-2023

NEW HOPE FOR CASA-1000 AS TALIBAN GOVT DECIDES TO HONOUR PREVIOUS PACT

ISLAMABAD: In a major development, Taliban regime has decided to honour all pacts related to Central Asia-South Asia-1000 (CASA-1000) project signed by the previous Afghan government, aimed at becoming part of efforts to revive the stalled four-nation electricity trade project, well informed sources told *Business Recorder*.

The project had been facing a delay of two years as the World Bank and USAID decided to withdraw their funding after regime change in Afghanistan.

The sources said, Ministry of Foreign Affairs, Afghanistan has referred to a letter of Finance Ministry of Afghanistan, which states CASA-1000 signed contract (grant No; H-927-Af), which is financed through the World Bank's free aid, will end on March 31, 2023.

Afghan Ministry of Foreign Affairs has confirmed that only 72.6 per cent of implementation of the project has been completed whereas 27.4 per cent of the work has been delayed as it is a joint project of four countries: Afghanistan, Pakistan, Kyrgyzstan and Tajikistan.

World Bank recently announced in an informal meeting with the Ministry of Finance of Afghanistan that the extension in contract of CASA-1000 is conditional on a joint proposal from the four countries, the sources quoted Afghan Foreign Ministry as saying.

According to sources, Afghan Ministry of Foreign Affairs has conveyed its assurance to the member countries that all the agreements signed by the former Afghan government on CASA-1000 project stand valid and applicable.

Foreign Affairs Ministry of Afghanistan has also assured participation of Afghanistan in the meeting for implementation and coordination of CASA-1000 to be arranged before expiry of the contract. At a recent meeting held in Pakistan's Ministry of Economic Affairs on CASA-1000 project, all issues related to the project came under threadbare deliberation.

NTDC/ CASA officials gave a presentation on the project, which covered the geographical spread and updated progress of the different sections of the project implemented in Tajikistan, Kyrgyzstan, Afghanistan and Pakistan. The project, after completion, would provide a transmission line to transmit electricity from Kyrgyzstan across Tajikistan and Afghanistan to Pakistan.

A study is also being conducted by M/s Hitachi to look into the option of flow of surplus energy from Pakistan to the Central Asian Republics in the winter season. Regarding progress, the forum was informed that with respect to Pakistan physical progress on converter station is 74.4% and transmission line is 67.3 %, highlighting the progress to be 7% ahead.

The meeting was informed that in Afghanistan, the project is at a halt due to withdrawal of funds/ non-extension of grant amounting to $245 million by the World Bank, after regime change in Afghanistan, causing delay in the completion of the project.

The forum was further informed that USAID has also withdrawn its funding meant for meeting the expenses of CASA-1000 secretariat, which is another major setback to the project.

The meeting was informed that the different issues faced by the project including those of funding would be discussed in the JWG and then at IGC for a viable and mutually agreed solution.

The progress regarding foundations for towers, installation of towers and transmission line and land acquisition were discussed in detail. The representative of NTDC noted that for 113-km length of transmission line, a total of 376 towers are to be installed within the boundaries of Pakistan (Nowshera to Torkham border). Out of these 376 towers, foundations for 320 towers have already been laid, whereas 300 towers have been erected.

The meeting was informed that the project is delayed by at least two years and discussions are under way with the World Bank for extension in the project period from March 2023 to December 2025. The loan component of IsDB also needs to be extended beyond June, 2023, for which a request is being made to IsDB. Similarly, request for additional financing of $ 7.5 million is also under process.

The Chief Engineer CASA-1000 flagged the risk of payment of idle charges to the contractors employed by NTDC, if the project is not completed and tested timely due to the situation in Afghanistan. The forum was further informed that the World Bank had asked the other participating countries to work out a loan arrangement for Afghanistan to complete the work. He maintained that this option seems viable but may not be feasible for Afghanistan as it would be a shift from grant to loan. This issue would also be discussed in the upcoming meetings of JWG and IGC.

Chief Engineer CASA-1000 noted that a request has been made to the World Bank to either waive off the interest on the $185 million loan for Pakistan or convert it into a grant since the project delay is due to the situation in Afghanistan. He further stated that a revised PC-1 would be submitted for the approval of ECNEC once decisions are made in the JWG/IGC.

PPRA DECLINES GIVING EXEMPTION TO EXIM BANK

ISLAMABAD: The Public Procurement Regulatory Authority (PPRA) has turned down a proposal of Exim Bank for exemption from PPRA Rules on the justification that the Bank requires legislative exemption instead of the applicability of Public Procurement Rules, 2004.

On February 20, 2023, President Exim Bank of Pakistan apprised the PPRA Board that mandate of Exim Bank is to provide financing to support the growth of exports from Pakistan, undertake import substitution projects and provide trade risk mitigation products and services. To this end Exim Bank will be introducing, for the first time in Pakistan, Export Credit Insurance (ECI) products for exporters and banks with a focus on SME clients. He further explained that ECI is an indemnity contract between an insurance company and a business (exporter); the insurer undertakes to pay the exporter in case the insured international buyer does not pay an amount due to the Exporter for the good exported. Therefore, ECI provides businesses the confidence to extend credit to their customers thereby providing exporters more trade opportunities.

ECI is available internationally but not to Pakistani exporters creating a disadvantage for them. Exim bank will provide the above indemnification to create level playing field for Pakistani exporters while bearing the risks. President Exim Bank of Pakistan further apprised the Board that in line with international risk management practices, Exim Bank will reinsure part of its ECI portfolio risk. Exim Bank of Pakistan stated that as reinsurance is a form of indemnity and reinsurance contract; therefore, it would be similar in nature to a contract of indemnity. Insurance companies transfer insurance risk to reinsurance companies to limit risk exposure and improve their financial statements.

The premium charged by the insurance company is the “risk premium” the company has calculated based on actuarial data. Reinsurance is the form of a normal business transaction of an insurance company; keeping in view the peculiarity of every transaction risk mitigation tools are deployed.

President Exim Bank of Pakistan opined that Exim approached credible international organizations in re-insurance business including Swiss-re, Munich-re, Credendo and Islamic Corporation for the insurance of investments and Exports Credit (ICIEC). He further invited attention of the Board to the fact that in response the organizations provided a consistent reply indicating inability to offer Exim bank any re-insurance support; however, there is a positive response from ICIEC (a subsidiary of Islamic Development group). In view of non-availability of re-insurance from the commercial market, it seems prudent for Exim to materialize the only available option of ICIEC. One of the Board Members inquired that if all the insurance transactions shall be done through NICL whether this is applicable on financial services.

The representative of Exim Bank stated that Section 166 & 167 of NICL Ordinance, 2000 requires all government organizations to go through NICL and Exim Bank is exempted from the provisions of this Ordinance. The Board Member further inquired that if Exim Bank will require a frontage company then whether Exim Bank has involved any local frontage companies/insurance companies for its re-insurance business. Exim Bank representative explained that credit insurance is different from the general insurance as credit insurance is a specialized field. General insurance is not in this business.

The Board Member further inquired whether the Exim Bank approached private insurance/ frontage companies. In response, the representative of Exim Bank replied in the negative. The Board Member explained that since these are commercial transactions; hence, they are not exempted from the applicability of Public Procurement Rules, 2004. Exim Bank should have a market competition and in case there is no response then they have a case to be presented to the PPRA Board for consideration. The Board Member further deliberated that the argument of Exim Bank is that the nature of their business is not covered within the ambit of public procurement and if the latter holds true, then Exim Bank requires legislative exemption instead of exemption from the applicability of Public Procurement Rules, 2004.

The Board decided that agenda of EXIM Bank is not a fit case for exemption as Exim Bank requires legislative exemption instead of exemption from the applicability of Public Procurement Rules, 2004.

RUSSIA’S BANK TO SUSPEND TRADING IN EUROS

MOSCOW: Russian online bank Tinkoff, run by TCS Group Holding, said on Sunday it would suspend trading in euros from Monday following the imposition of a further set of European Union sanctions.

The EU agreed a 10th round of punitive measures late on Friday to punish Russia for invading Ukraine. The package includes cutting off more banks, among them Tinkoff and the private Alfa-Bank, from the SWIFT global payments system. “Withdrawals in euros will be available. Euro trading will be suspended from Feb. 27, 2023,” Tinkoff said in a statement, adding that trading in other currencies would not be affected.

In a separate statement, Tinkoff said it had prepared counter-measures to the sanctions which would allow a transfer of assets to a new non-sanctioned company within three weeks. Tinkoff Bank was set up by entrepreneur Oleg Tinkov, who has become an outspoken critic of President Vladimir Putin and Russia’s invasion of Ukraine. Tinkov said last November he had renounced his Russian citizenship over the war in Ukraine. Tinkoff was forced to sell his 35% stake in the bank’s parent, TCS, to Russian metals magnate Vladimir Potanin last April, following a string of anti-war comments.

R 27-2-2023