IMF TO TEMPORARILY RAISE BORROWING LIMITS TO AID VULNERABLE COUNTRIES

WASHINGTON: The International Monetary Fund says its executive board has agreed to temporarily increase the limits on member countries' annual and cumulative access to IMF loan resources to help them cope with a particularly challenging and uncertain environment. In an announcement late on Monday, the Fund said its cumulative lending limits were increased to 600 percent of a country's quota, or shareholding in the fund, from a previous limit of 435 percent. The 12-month borrowing limit was raised to 200 percent of quota from 145 percent.

These changes will provide member countries - "particularly emerging markets and developing economies — that face increased financing pressures and vulnerabilities" access to more Fund financial support, the IMF said in a statement.

The Fund, which has about $1 trillion in total lending resources, said the executive board also discussed possible changes in access limits under the Poverty Reduction and Growth Trust, its concessional lending arm for low-income countries. The IMF added it would review PRGT access limits once sufficient additional resources had been pledged to the fund by wealthier member countries. Those limits were last raised by 45 percent in 2021.

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PKR DEPRECIATION, BORROWING: DEBT STOCKS SOAR TO RS55TRN BY JAN-END

KARACHI: The country's total (domestic and external) debt stocks rose to Rs 55 trillion mark at the end of January because of massive borrowing and Pak rupee depreciation.

According to the State Bank of Pakistan (SBP), the central government's total debt stocks recorded an increase of 15 percent during the first seven months of current fiscal year (FY23). With current surge, total debt stocks reached new peak level of Rs 54.942 trillion by the end of Jan 2023 compared to Rs 47.784 trillion as on June 30, 2012, depicting an increase of Rs 7.157 trillion.

Analysts said in the absence of external financing, the government has excessive reliance on domestic resources to meet the financing requirement. In addition, the Pak Rupee depreciation against the US dollar also contributed largely in the recent increase in the external debt.

The detailed analysis revealed that the federal government's total debt stocks also recorded a sharp increase of 7.7 percent in Jan 2023 alone due to Pak rupee depreciation against US dollar. Average US dollar exchange rate was Rs 267.94 in Jan 2023 versus Rs 226.47 in Dec 2022.

Overall total (domestic and external) debt stocks mounted up by Rs 3.94 trillion to Rs 54.942 trillion in Jan 2023 compared to Rs 50.996 trillion in Dec 2022. Most of the increase was recorded in external debt due to Pak rupee depreciation. During the first seven months of this fiscal year, external debt also went up by 23 percent or Rs 4 trillion to Rs 20.687 trillion in Jan 2023 as against Rs 16.747 trillion in June 2022. External debt includes long-term loans worth Rs 20.595 trillion and short term loans worth Rs 92 billion.

The federal government's domestic debt mounted up by 10 percent to historical level of Rs 34.255 trillion in Jan 2023 up from Rs 31.037 trillion in June 2022. Domestic debt comprising Rs 27.514 trillion of long term loans and Rs 6.691 trillion short term debt.

According to the State Bank, the total domestic debt stocks are comprising permanent debt, unfunded debt and floating debt. In addition previously Foreign Exchange Bearer Certificates, Foreign Currency Bearer Certificates, Dollar Bearer Certificates and Special US Dollar Bonds held by the residents, were the part of external debt liabilities but from June-08 & onward it is the part of domestic debt.

The central government's external debt is likely to further rise in coming months as the federal government is making efforts for the release of $1 billion tranche of Extended Fund Facility (EFF) of the IMF to avoid default.

SENATE PANEL TOLD: IMF 'DEMANDS' TO DETERMINE FATE OF ONGOING TALKS

ISLAMABAD: A Senate panel was informed on Tuesday that "the demands put forth by the International Monetary Fund (IMF) before the government, will determine the fate of the ongoing negotiations" with the Fund. When Foreign Secretary Dr Asad Majeed Khan was asked by the Senate Foreign Affairs Committee led by Farooq Naek about the outcome of the ongoing talks with the IMF, he informed the panel by saying: "Although it's the mandate of the Finance Ministry, negotiations with IMF are technical in nature and the demands which have been placed [before the government] will determine the fate of the talks."

The remarks come following former chairman Senate and senior PPP Senator Mian Raza Rabbani asked the government to take the parliament into confidence on the talks with the IMF, as he feared that "it appears that Pakistan being softened up to play a role which is against its national and strategic interests." "The people have the right to know if, our nuclear assets are under pressure or if our strategic relationship with China is under threat or we being called up to play role in the region which will facilitate the military presence of an imperialist power? These and other questions require a policy statement by the prime minister on the floor of a joint sitting," Rabbani said in a press statement on Monday.

The committee also deliberated on various agenda and the steps being taken to improve the country's foreign policy and enhance bilateral ties with various countries. Briefing the committee, the foreign secretary also stated that the new Pakistan's missions opened abroad will not be closed on austerity grounds by the government.

The committee deliberated upon Pakistan's economic and trade ties with Russia and the Western countries, besides discussing the diplomatic, bilateral and trilateral initiatives to maximise Pakistan-Africa cooperation. The committee was informed that the United States, the European Union, and the UK are established export markets for Pakistan with a consistent trade surplus.

According to the FBR report, the committee was apprised that in the year 2022-22 the US, the EU and the UK made a total aggregate of $6,801.83 million, $8999.7 million and $2173.5 million exports and $3,719.14 million, $8,999.7 million and $2173.5 million imports, respectively.
These exports mainly include apparel and home textiles. Whereas major percentage of imports from the EU and the UK include machinery and electrical goods, chemicals iron and steel and from the US is pharma, surgical goods oil seeds mineral fuels and cotton.

About Russian, the committee was informed that Russia being a major regional market and trade partner, exports to Russia fell down by 31.6 percent from 2020 to 2021-22.
It was further informed that the Russian banks were removed from SWIFT [Society for Worldwide Interbank Financial Telecommunication] which resulted in difficulties faced by Pakistani exporters. In the year 2021-22, a total export of $124.4 million and imports $457.3 million took place with Russia.

The committee was apprised that an MoU between the Trading Corporation of Pakistan (TCP) and M/s Prodintorg Russia for the import of wheat was signed on 8th June and the first vessel for 450,000 MT arrived at Gwadar Port on 1st March this year.
The committee was further informed that maximum measures are being taken to enhance trade with the Russian Federation including agreement on international road transport and inter-governmental commission on trade, economic, scientific and technical cooperation.
Similarly, agreement on cooperation and mutual assistance in customs matters, steps taken on mutual assistance under the unified system of tariff preferences of the Eurasian Economic Union, are being finalised.

The foreign secretary maintained that Pakistan and South Africa relations are marked by a dearth of high-level interactions and exchanges. He said that the trade volume between Pakistan and Tanzania has reached US 224 million during 2021-22. To increase the trade volume with the African countries, the committee observed that there is a need to actively participate in each other trade exhibitions and also resolve trade disputes to build the confidence of Tanzanian business community to enhance bilateral trade.

The foreign secretary also briefed the committee on the reasons, agendas and implications of the recent visit of Rafeal Mariano Grossi, Director General, International Atomic Energy Agency (IAEA) to Pakistan. He said that the visit has been useful in projecting Pakistan's five decades of experience of safe and secure operations of civil nuclear power plants which follow the IAEA standards and guidelines.
Additionally, he added that the visit highlighted the growing cooperation between Pakistan and IAEA in the peaceful use of nuclear technology and focused on Pakistan's commitment to nuclear non-proliferation.

The committee was also informed that no proposal has been submitted by the Ministry of Foreign Affairs under PSDP for the year 2023-24. Earlier, the committee showed grave concerns on the absence of Minister of State for Foreign Affairs Hina Rabbani Khar in the committee ever since its constitution.

The meeting was attended by Senator Mushahid Hussain Sayed, Anwaarul Haq Kakar, Mohammad Tahir Bizenjo, Sarfaraz Ahmed Bugti, Palwasha Khan, and Samina Mumtaz Zehri. Senior officials from the Ministry of Foreign Affairs and other concerned departments also attended the meeting.

R 8-3-2023

‘T&D NETWORKS NEED $8BN INVESTMENT’

KARACHI: The transmission and distribution systems require investment of $8 billion by 2025-26 as the country’s power sector moves to the Competitive Trading Bilateral Contract Market (CTBCM) from the existing single-buyer model. Speaking at a seminar organised on Tuesday by the CFA Society Pakistan on the future of the electrical grid, National Transmission and Despatch Company Ltd’s former managing director Fiaz Chaudhry said nationwide blackouts — like the one on January 23 — will become more frequent without the $8bn investment in the two major segments of the power sector.

A work in progress, CTBCM will provide the electricity buyers of one megawatt and above with the option to purchase power on a competitive basis from any producer of their choice.

The exchange-like CTBCM will connect sellers, buyers and traders of energy, capacity and ancillary services on a single platform, letting bulk consumers obtain electricity from any producer across the country at an additional wheeling charge of about Rs2 per unit.

CTBCM will, thus, transform the traditional, vertically integrated and uncompetitive power utility into a competitive one. Only the operation of electric wires will stay monopolistic, Mr Chaudhry said.

Transmission and distribution networks built for the one-way flow will become dynamic with the two-way flow of renewable energy in the presence of microgrids and smart metres. While the smart grid will make the movement of electricity measured and controlled more frequently at numerous junctions, it’ll also pose challenges in terms of a high initial setup cost, inadequate information about consumers, cybersecurity threats and a general lack of the regulatory framework, Mr Chaudhry added.

Similarly, the distribution sector will also have to evolve to accommodate distributed energy resources, greater involvement from customers and growth in grid-edge technologies, which come into play at the end of electrical grids. He said there’s a “very high-power flow” from base plants (nuclear and coal) in the South region to Punjab, which is constraining the south-centre interface. The distribution load in the North region was 81 per cent while that of the South region was only 19pc in 2021-22, said Mr Chaudhry.

Responding to a question, he said the solution to the problem of mounting capacity payments should mainly be found on the demand side i.e. only a growing industrial sector can adequately consume and pay for all the extra electricity in the generation system and save the government from avoidable charges on idle capacity. Mr Chaudhry said transmission and distribution segments should be open to the private sector — something that’s mostly missing from the current scheme of things. “The government lacks capacity and resources to implement these projects,” he said.

Dawn 8-3-2023

TWO FERTILISER PLANTS, DOMESTIC SECTOR: PSO NEEDS RS39BN FOR PAYMENT OBLIGATIONS AND SUSTAINING LNG SUPPLY CHAIN

ISLAMABAD: Petroleum Division has sought Rs 39 billion against supply of RLNG to two fertilizer plants and domestic sector enabling Pakistan State Oil (PSO) to remain afloat in its payment obligations to LNG suppliers, as well as, to avoid any threat towards breakdown of LNG supply chain, well informed sources told Business Recorder.

Pakistan State Oil Company Limited (PSO) is engaged in import of Liquefied Natural Gas (LNG) in the country to meet the energy requirements of the country in terms of LNG and petroleum products. The re-gasified LNG (RLNG) is predominantly purchased by SNGPL for onward sale to its consumers. On an annual average, power sector consumes up to 70% of RLNG whereas balance of RLNG is supplied to industry (export and non-export), fertilizer, commercial sector, CNG, cement and domestic (supply volume increases in winters). SNGPL supplies RLNG at subsidized prices to export industry and fertilizer, the recovery of which is always contingent upon budgeted subsidy.

Petroleum Division, in its summary for the ECC, has stated that in the case of export industry, the budgeted subsidy during the CFY is Rs. 40 billion which is sufficient to meet SNGPL’s requirement. However, there is pending claims of Rs. 26.059 billion against subsidized supply of RLNG to two fertilizer plants i.e., FatimaFert Ltd and Agritech Ltd until 3rd January, 2023 when ECC decided to discontinue subsidized RLNG supplies to both plants. Against RLNG supplies to power sector, SNGPL’s payments are overdue and are not being fully realized on timely basis. Similarly, LNG diversion to domestic sector in winter months always carries a tariff differential which has accumulated to a level of Rs. 165 billion up to December, 2022 whereas the budgeted subsidy for addressing this differential is Rs.25 billion during CFY. Petroleum Division could only be able to release Rs. 12.50 billion after approval of the Finance Division.

During period Mar-23 to Sept-23, maximum imported LNG by PSO in terms of number of LNG cargoes under long term contracts with Qatar Energy is as follows: March 9 cargoes (PSO term cargoes 8, PLL term cargoes 1), April 10 cargoes (9+1); May 9(8+1); June 9 (8+ 1); July 10 (9+1), August 10(9+1) and September 9 (8+1). Under the term contracts, the delivered cost of each cargo at present price for the month of February 2023 @ USS 12.7148/mmbtu comes to US$ 41 million so the cumulative financial impact of forex on nine (09) cargoes per month comes out to be US$ 369 million per month.

PSO is importing 8-9 LNG cargoes per month whereas as per the executed contracts with LNG suppliers, PSO is obligated to clear the invoice on 15th day after completion of unloading of cargo and/ or 10th banking day after receipt of invoice from supplier whichever is later. PSO, in its letter of February 20, 2023 has conveyed a SOS call for funds considering the fact that PSO's receivables from SNGPL have accumulated to Rs. 473.3 billion (including interest).

The ECC of the Cabinet in its meeting held on January 03, 2023 while considering a summary of the Petroleum Division on the subject approved borrowing of Rs. 50 billion in favor of PSO backed by sovereign guarantee. PSO is in process of borrowing the funds as the letter of comfort was lately issued by Finance Division on 16.02.2023.

However, PSO is of the considered view that even with arrangement of Rs.50 billion commercial borrowing, there may not be adequate improvement in its liquidity requirements leading to possible default in its international payment obligations.

TRADE MARKS ORDINANCE (AMENDMENTS) BILL, 2022: NA PANEL CLEARS WORDING AFTER TALKS WITH IPO TOP BRASS

ISLAMABAD: The National Assembly Standing Committee on Commerce on Tuesday cleared the wording of Trade Marks Ordinance (Amendments) Bill, 2022 with slight amendments after a brief discussion and briefing by top brass of Intellectual Property Organisation (IPO). Presided over by Khursheed Ahmed Junejo, the committee members sought reasons for the prolonged delay in submission of amendments to the Ordinance of 2001 and lack of awareness amongst the public about property rights and enforcement mechanism. He raised his concern on late registration of Basmati rice as Trade Mark due to which India took advantage and is still selling Basmati rice as its produce.

Chairman IPO said the purpose of amendments to the Ordinance is to become part of international community, adding that awareness and enforcement are societal and political issue as foreigners' fear abuse of IPR in Pakistan.

Commerce Secretary Sualeh Ahmad Faruqi, who recently attended TIFA talks with the US in Washington, informed the Committee that absence of IPR is main reason for negligible investment in the country, adding that the key concern from US side was non-implementation on IPR.

According to Commerce Ministry, to comply with the Madrid Protocol, enabling provisions were incorporated in the Trademarks Ordinance, 2001 (TMO, 2001). In addition to enabling provisions of Madrid Protocol, certain amendments to TMO, 2001 were also required to implement best practices of trademarks registration, including enabling electronic services and robust legal safeguards like IP Tribunals to provide quick and efficient court decisions of IPRs litigation.

The Standing Committee constituted a Sub-Committee, comprising Rana Iradat Sharif Khan (convener) Syed Javed Ali Shah Jilani (member) and Ms. Tahira Aurnagzeb (member) to resolve outstanding receivables/payables issue between Trading Corporation of Pakistan (TCP), Utility Stores Corporation (USC), National Fertilizer Marketing Limited (NFML), Passco and other Organisations. The Sub-Committee will invite representatives of concerned Ministries to resolve the "circular debt" of Rs 211.75 billion of which 72.7 billion was mark-up whereas Rs 139 billion was principal amount.

Chairman TCP informed the Committee that an amount of Rs 173 billion was outstanding against USC and NFML, which is 70 percent of total arrears against different Departments/Organisation including Pak Army and Pakistan Navy. He said, banks are now charging 20 per cent interest on loans due to which outstanding amount is piling up. He further contended that TCP billed Rs 518.125 billion to USC, NFML and Passco of which Rs 379 billion were received while Rs 139 billion were outstanding. During the meeting, it was noted that USC has now decided not to release any product to defaulting Organisations/Departments until they make payment in advance.

A representative of USC apprised the Standing Committee that there was no interest till 2020 as his Organisation has already reconciled figures of outstanding amount, adding that now TCP is claiming interest of previous years. However, representative of Passco clarified that his Organisation has reconciled the amount with TCP, according to which no outstanding amount is due from it.

CORPORATE DONATIONS: LISTED FIRMS' CONTRIBUTION NEARING 1PC OF PROFIT AFTER TAXES: SECP CHIEF

KARACHI: The contribution of listed companies to corporate donations is approaching the globally accepted level of 1.0 percent of profit after taxes, said SECP Chairman Akif Saeed at the launch and award ceremony of Corporate Philanthropy Survey Reports, by Pakistan Center for Philanthropy (PCP). Akif Saeed said that, in Pakistan the understanding and practices around concepts of philanthropy, corporate social responsibility, sustainability and ESG practices are evolving and generally intertwined. Speaking on the role of SECP in this regard, he said that the preliminary landscape to inculcate awareness about corporate social responsibility (CSR) in Pakistan was developed by SECP through consensus-based CSR Guidelines in 2013.

These guidelines facilitated in not only raising awareness among the corporate sector, they also encouraged collaboration through public-private partnership, he added.

These guidelines also paved the way for more formal legislative intervention through Companies Act, 2017, by moving towards Environmental, Social, and Governance or ESG agenda, by introducing more inclusive boards better disclosure and transparency regime for listed companies to communicate to shareholders, the impact of company's business on the environment, CSR activities undertaken during the year and a description of principle risks and uncertainties faced by the company. He said that the corporate sector can enhance its contribution to the social and economic development of Pakistan through long-term strategies focusing on outcomes, with better employee engagement and better synergies. He said that these four factors are also mirrored in SECP's objectives, "as we move away from our traditional role of a regulator, to strategically redefining the role of SECP to align with economic and social development needs of the country."

PROJECTS OF INGOs: SENATE PANEL CALLS FOR ENHANCED COORDINATION WITH PROVINCES

ISLAMABAD: A meeting of the Senate Standing Committee on Economic Affairs Division wanted increased coordination with the provinces with regard to projects of the INGOs and also sought a detailed briefing from the Ministry of Interior with regard to security issues pertaining to the INGOs working in Pakistan.

The meeting of the committee presided over by Senator Faisal Saleem Rehman said that as the projects of the INGOs are implemented in the provinces, therefore, inputs of the provinces should be taken and accommodated.

The committee also directed the Interior Ministry to highlight details of security issues pertaining to the NGOs in the context of overall security in the country. At the outset, the committee also adopted a unanimous resolution to express solidarity with victims of the floods and extend gratitude towards contributions from the international community was passed in a meeting of the Senate Standing Committee on the EAD.

Representatives of the Ministry of Interior and the Punjab Government were present as well. Issues taken up entailed details of foreign-funded INGOs and NGOs working in Pakistan and recommendations on the budgetary proposals of the ministry related to the Public Sector Development Program (PSDP).

Deliberating over foreign-funded INGOs and NGOs working in Pakistan, the committee was of the view that all-out efforts must be made to ensure that transparency of the process of confidence building between Pakistan and its friends that have stood with it in time of need may be strengthened.

The committee was assured of the EAD's commitment towards transparency and it said that in order to ensure this a third-party audit of all donations and grants is conducted on a regular basis.

Discussing the INGO policy 2013, the committee was informed that 1,220 applications were received, out of which, 667 were approved and 213 applications were regretted. 340 applications are currently being reviewed against the new policy.

The chairman of the committee inquired the reason for allocating a very small percentage to climate change, despite the magnanimity of the issue. He was informed that it was asserted that according to the NGO Policy 2022, The committee was informed that in most cases donor agencies decide their main area of focus, however, the EAD does possess the ability to recommend areas of need. The need for provinces to coordinate with the Centre was emphasized, since the job is made easy if projects and areas of focus are identified by the host country.

Revealing the salient features of the procedure of MOU according to the NGO Policy 2022, the committee was informed that the whole process will be conducted online, providing all stakeholders complete access to documentation and other paraphernalia associated with the application.

Discussing allocation of donations during the floods, the committee directed that details of rescue and rehabilitation efforts may be submitted to the committee. It also recommended that the NDMA and the PDMA (Balochistan and Sindh) may be invited for details in the next meeting. Representative of the Punjab government was told to share details revocation of registrations, if any and the reasons thereof.

IMPORT OF SOLAR PANELS: SBP ASKS GOVT TO PREPARE LIST OF 'REPUTABLE' SUPPLIERS

ISLAMABAD: State Bank of Pakistan (SBP) has proposed to the federal ministries to prepare a list of reputable suppliers to import solar panels to avoid money-laundering or over-invoicing as some local importers have established trade entities abroad which are carrying the risk of over invoicing. This proposal has been sent by Director State Bank of Pakistan, Dr Asif Ali, in a letter to Special Assistant to Prime Minister on Finance and Revenue, Tariq Bajwa.

Responding to a letter of SAPM on Governance Effectiveness, Jehanzeb Khan, SBP wrote that previously banks were required to seek prior permission from SBP before initiating transactions/ LCs for import of items falling under HS codes Chapter 84 and 85 (including solar panels, invertors, etc.). This requirement of prior permission was withdrawn by SBP vide Circular Letter No 20 of December 27, 2022. Therefore, now all such importers are required to approach their banks to undertake import transactions/ LCs and no approval from SBP is required anymore.

SBP says it understands that in view of Balance of Payment (BoP) situation banks are accommodating requests of imports based on their own liquidity and risk assessment, adding that as soon as BoP situation improves the banks would be in a better position to facilitate such import transactions.

Director SBP argued that SBP has already issued the necessary instructions to banks for one-time facilitation for release of shipping documents to ease congestion at ports due to stuck-up containers (i.e. demurrage-related cases). In this regard banks have been advised to release the shipping documents for goods which have been shipped on or before January 18, 2023: (i) in case of deferment, on receipt of SWIFT message from the bank abroad that imports are on deferred payment basis for at least 180 days; or (ii) the funding arrangement has been made from abroad, on receipt of confirmation from suppliers' banks.

The central bank maintains that it understands that with issuance of such instructions the matter of stuck up shipments including that of solar panels is being resolved to a great extent.

According to SBP, it understands that as per current Customs Regulations, solar panels (HS code 8541.4300) have 0% custom duty; therefore, there is a possibility that import of solar panels could be misused by some unscrupulous elements to launder their illicit money abroad by over invoicing."In our assessments, some of the suppliers providing deferred payment terms turn out to be related to Pakistani importers or the local importers have established trade entities abroad, which carry risk of over invoicing," said Dr Asif Ali.

In this regard, SBP has suggested that the relevant ministries may come up with a list of reputable suppliers from whom imports of Solar Panels could be allowed without any risk of money laundering/ over invoicing. Moreover, in order to reduce reliance on imported components, the federal government may consider coming up with a policy to encourage domestic entrepreneurs to establish manufacturing facilities for clean / environment-friendly energy producing equipment like solar panels and other related components which will also help reduce Pakistan's reliance on imported fossil fuels in future and act as a mitigation factor for managing environmental risk.

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