

LITIGATION LOOMS AS IRAN CLAIMS \$18B FOR IP PIPELINE

ISLAMABAD: Once again, Pakistan faces the threat of litigation in an international court – this time, however, it is regarding the Iran-Pakistan Gas Pipeline Project (IP). Prime Minister Shehbaz Sharif has taken up the matter and intends to use diplomatic channels to avoid a legal battle between the two countries.

Sources told The Express Tribune that the premier has been sensitised to the situation. Officials familiar with the development said that Iran claims that it has already spent \$2 billion to complete its part of the pipeline in its territory. Pakistan, on the other hand, has not even begun working on the construction.

Previously, under pressure from Saudi Arabia, the Pakistan Muslim League-Nawaz (PML-N) government decided to shelve the LNG Gwadar Pipeline. At the time, Pakistan was of the view that it would build the 80 kilometres pipeline connecting to Iran-Pakistan if the situation between the United States (US) and Iran stabilised.

In 2017, Saudi Arabia entered into a diplomatic row with Qatar, and built pressure on Sharif to shelve both the Iran-Pakistan gas pipeline and the LNG contract with Qatar.

Pakistan, however, only shelved the LNG Gwadar deal – which was considered to be part of the IP gas pipeline project – and continued the LNG deal with Qatar.

Officials say that Iran was now left with no option but to file a case in the international court. “If Iran does not file a case in the international court, it will have to withdraw claims against Pakistan that it may file in case the project is not completed,” said officials, adding that, “If Iran does not go to international courts, it will effectively be surrendering claims worth \$18 billion on the IP gas pipeline project.”

Although Iran had not intimated its decision to Pakistan about filing a case, Pakistani authorities are of the view that it could start a legal battle to secure its rights on the IP gas pipeline project.

The petroleum secretary had recently informed the Public Accounts Committee (PAC) that Pakistan was facing a threat of claims worth \$18 billion due to failure to start construction work on the IP project.

Sources say that the prime minister is looking to use his clout to find a way to avoid a legal battle.

Historically, Pakistan and Iran have enjoyed good relations, especially during the reign of the Pakistan People’s Party (PPP). During Asif Ali Zardari’s presidency, both countries had signed a Gas Sales Purchase Agreement (GSPA) which bound Pakistan to start construction work on the IP project. Officials and experts now say that, given the current situation, Foreign Minister Bilawal Bhutto could play a pivotal role in manoeuvring the countries away from a legal battle.

In the past, Pakistan used to import Iranian oil – supply, however, was stopped in 2010 when Pakistani refineries failed to make their payments. Although payment was never a big deal between the two nations – both had worked out currency swaps and barter trade arrangements – experts believe the primary reason behind the fall out was that the US was not ready to show flexibility in its stance regarding oil and gas trade between Pakistan and Iran.

After US President Joe Biden took office, Pakistan had hoped that it could acquire a waiver from the US to start work on the project. This, however, has not happened.

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PAKISTAN IMPROVES RISK SCORE ON GLOBAL AML INDEX

KARACHI: Following [Pakistan’s exit](#) from the Financial Action Task Force’s (FATF) grey list, a global body of banking supervisory authorities has acknowledged the progress made by the country in the overall regulation of the financial affairs slightly lowering the risk score of the country.

However, experts believe that the recently-released Basel AML [anti-money laundering] Index briefing on Pakistan would hardly benefit the country’s overall economy amid larger challenges which have “overshadowed” the progress it’s making on the regulatory front.

“Pakistan’s overall ML/TF [money laundering and terrorist financing] risk score in the Basel AML Index (Public Edition) is 6.16. This places it in the medium-risk category compared to other global jurisdictions. In the latest update of the Expert Edition, which is updated quarterly with the latest data, the risk score is slightly lower at 6.11,” said the Basel AML Index briefing on Pakistan.

Pakistan went through four follow-up reports between 2018-2022 and improved its performance in technical compliance from 41pc to 72pc. Currently, Pakistan is evaluated as being “largely compliant” with most of the FATF’s 40 recommendations. Only in R15 (new technologies) and R38 (mutual legal assistance: freezing and confiscation) is Pakistan only “partially compliant”. “Over the years Pakistan’s regulatory regime has become stricter in line with global best practices. Though many risks are still there, we have seen good progress on AML and related matters,” said Mohammed Sohail of Topline Securities.

“It sounds good in the sense that it acknowledges the efforts made for FATF compliance,” said Sana Tawfik of Arif Habib Ltd. “But I don’t think it carries any significance amid so other noise linked with our political instability or our rating by international credit agencies. Though it shows our risk score slightly lower in the latest review, I don’t think it would lead to any improvement in any of our economy’s sectors.” “Although we have improved over the years, we are far behind in global rankings,” said Haris Ali, an IT professional offering technology-based FATF-compliant services to business organisations.

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SOEs: MOF PREPARES DRAFT POLICY

ISLAMABAD: Ministry of Finance (MoF) has prepared a draft State-Owned Enterprises (SOEs) policy with technical support from Asian Development Board (ADB), aimed at improving their performance sans any special treatment. The policy, drafted as an agreed IMF Structural Benchmarks (SBs) set in the 6th Review MEFP of EFF (February 2022) will be presented before the Federal Cabinet for final approval. The government will also announce measures to reduce losses of SOEs in the federal budget 2023-24.

Pakistan has around 200 SOEs, most of which are not performing optimally. The official list of 206 SOEs contains a number of subsidiaries of the SOEs and enterprises that would not normally be considered SOEs as they are not required to operate under the commercial mandate. Fifty to 60 SOEs are considered material, which together control over 97 per cent of assets held by all 206 entities.

The draft policy maintains that to improve the efficiency and access to capital it is imperative that all SOEs be identified for transformation to pursue private capital and private management expertise either through listing on the stock exchange, partial privatisation, contracting out or public private partnerships under the P3A Act 2021 as and when deemed appropriate.

SOEs will not operate in sectors where private sector has potential to deliver goods and services in a competitive environment. In all sectors, the federal government will proactively introduce competition so that any SOE operating in that sector shall not have a dominant market position.

According to Finance Ministry, underperforming SOEs are burden on Pakistan's economy and can weigh on medium to long-term macroeconomic resilience and growth prospects. The poor performance can be attributed to several factors: (i) lack of a consistent and overarching law that applies to all SOEs; (ii) lack of an overarching SOE ownership and reform policy; (iii) lack of a clear commercial mandate under which SOEs may operate; (iv) Board of Directors that are often incapable and ill equipped to government SOEs; (v) lack of effective centralized SOE ownership monitoring; (vi) lack of strategic view of SOE performance and accountability requirements; and (vii) limited transparency and effective accountability.

Ministry of Finance, through Central Monitoring Unit (CMU), will establish a central electronic database of information on the financial and non-financial performance of every SOE. The MoF will ensure the hiring of professionals in the areas of corporate finance, corporate law, strategic planning and management and capital markets to serve as CMU staff members. The database developed by the CMU will generate bi-annual reports for the review of CCoSOE. The database will contain financial and non-financial performance information for each SOE.

CMU will analysis SOE business plans and will present their analysis and recommendations to CCoSOEs for information and to SOE Management and Board for consideration. CMU will develop a monitoring framework for the SOEs against the financial non-financial benchmarks agreed in the business plan. The annual consolidated monitoring report of SOEs will be published on the website of the Finance Division at the beginning of the second quarter of each succeeding fiscal or calendar year (whichever is more appropriate).

Finance Ministry in consultation with the Law Division will develop a mechanism to reduce unnecessary interventions by investigative agencies and frivolous litigations against Directors, CEOs and Staff of SOEs. The mechanism to reduce unnecessary interventions by investigative agencies and frivolous litigation will be submitted to CCoSOEs for further instruction on implementing the proposed mechanism including, without limitation, any amendments in the applicable legal framework to be approved by the Cabinet.

According to the draft policy, no direction will be given to a SOE or Board of a SOE by any Division to perform any public service obligation or to bar from doing any operational function without the approval of the CCoSOEs or for any other assigned unit/ organization, without approval from the Federal Government through gazette notification. The process for directing a public service obligation set out in Schedule II of the SOE Act must be followed.

No SOE (or any subsidiary of an SOE or other federal government department) will be granted any special exemption which gives them an unfair competitive market advantage or maintain a dominant market position to the detriment or development of a sector unless notified by the federal government on a project-to-project basis. The federal government will ensure that SOEs do not enjoy any competitive advantages over their private sector competitors without objective justification, simply by virtue of their state ownership. The policy will also envisage on reform plan which will include proposals for reforms of SOEs such as listing, restructuring and merger of some SOEs, entering into Public-Private Partnership (PPP), contracting out operations and asset sales.

SENATE CHAIRMAN BRIEFED ON SBP'S RECENT INITIATIVE

Governor of State Bank of Pakistan Jameel Ahmad on Monday gave a detailed briefing to Chairman Senate Muhammad Sadiq Sanjrani on recent initiatives taken to promote financial inclusion, enhance agriculture sector productivity, and support sustainable development. The SBP Governor and Sanjrani met here at the Parliament House and discussed matters of mutual interest, specifically economic and the State Bank's role in promoting financial stability and inclusive economic growth. During the meeting, the chairman Senate praised the SBP for its efforts in facilitating small and medium-sized enterprises, improving access to finance, and supporting the agriculture sector. The meeting ended with an agreement that continued collaboration between the Senate and the State Bank of Pakistan was necessary to drive sustainable economic growth and create development opportunities for all Pakistanis.

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SHC SEEKS DETAILS OF TAX COLLECTED FROM AND SPENT ON KARACHI

The Sindh High Court (SHC) on Monday directed the Federal Board of Revenue (FBR), and federal and provincial law officers to submit reports showing figures of the federal and provincial taxes collected from Karachi during last three years. The high court also asked the authorities how much portion of that tax had been utilised for the development of Karachi. The direction came on a lawsuit filed by Mohammad Rameez Khan and others against what they said non-transparent use of Rs3.6 billion World Bank-funded Competitive and Livable City of Karachi (CLICK) project.

The SHC directed an additional advocate general to file a precise report under his statement containing details of how much sales tax on services and other provincial taxes had been collected from the city of Karachi during the last three years and to what extent it was expended. The high court also issued a notice to the FBR chairman and deputy attorney general to submit a precise statement showing the figures of federal taxes collected from the city of Karachi during the past three years and the portion of them utilised for the development of Karachi.

The SHC directed the federal and provincial law officers, and FBR to submit their reports in a tabular form. It said that the reports should also contain figures in US dollars. A single bench of the high court headed by Justice Mohammad Faisal Kamal Alam observed that the matter pertained to the well-being of city of Karachi. The high court also turned down an application of some plaintiffs who wanted to withdraw the lawsuit, observing that all these matters clearly fell within the ambit of public interest litigation and could not be allowed to be withdrawn as requested.

The SHC observed that certain questions were to be answered in these matters, due to which the applications for withdrawal of those suits could not be granted. The bench also issued a notice to the Sindh High Court Bar Association president for the next date of hearing to assist the court.

The counsel of all the plaintiffs, except one, stated that they wanted to withdraw the suits and cited a DHA case in support of their arguments. To this, the bench observed that the reported judgment was about a dispute regarding a parking area and stopping of an illegal construction within the jurisdiction of the Defence Housing Authority and subsequently the respondent in an appeal said it wanted withdrawal of the suit, but the request was declined. However, later that order was set aside by a division bench of the high court.

The SHC observed that facts and controversy of the reported decision were clearly distinguishable from those involved in the present suits. It observed that the Supreme Court had handed down a judgment holding that it was not an absolute right of the plaintiff to withdraw a claim, but the same was subject to certain limitations, in particular, where a right of a third party had been accrued. Consequently, in appropriate cases the request for withdrawal could be declined where it was seen to prevent the court from passing an order. Some citizens had filed lawsuits pertaining to what they claimed non-transparent use of the World Bank's funds amounting to Rs3.6 billion for the CLICK project. The plaintiffs had submitted that the Sindh government had initiated the World Bank-funded CLICK project was aimed at improving the urban management, service delivery and business environment in Karachi.

They submitted that the project had no attachment with the Karachi Metropolitan Corporation (KMC), which had to award its projects independently after observing the local laws, including but not limited to the Sindh Public Procurement Act and its Rules so also Procurement Regulations 5.32. They submitted that a false project under the name of emergency road repair work had also been conceived by the KMC whereby Rs3.6 billion had been awarded to various contractors. They submitted that no step in accordance with the procurement law was taken by the KMC and the contracts were awarded directly to the blue-eyed companies without any advertisement depriving the plaintiffs from participation in the open-bidding process, which might have saved the public money and also enhanced the quality of work.

The plaintiffs submitted that since funds were provided by the World Bank in terms of regulation which asked for its utilisation by the borrowing entity a transparent mechanism that included an advertisement at least.

The high court was requested to declare all the contracts awarded by the Sindh government in violation of procurement rules as unlawful and restrain it from awarding further contracts through direct contracting in violation of the Section 17 of the Sindh Public Procurement Act, 2009 and rules made thereunder.

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NA PANEL REQUESTED TO REVIVE PENDING LEGISLATION ABOUT CAA

ISLAMABAD: The National Assembly Standing Committee on Aviation was requested to revive pending legislation, which aims to separate the two roles of a regulator and service provider of the Civil Aviation Authority (CAA).

The CAA in Pakistan serves as both a regulator and a service provider, and internationally, these two roles are governed by separate authorities. In light of this, the CAA has requested the committee to revive pending legislation, which aims to separate these two roles.

The committee also recommended authorising the CAA to declare the maximum height for the construction of high-rise buildings around airports.

The meeting was held under the chairmanship of Syed Mobeen Ahmed, MNA. Previously, it was development authorities' prerogative to determine the heights of buildings under the policy of a "one-window operation".

The chairman Standing Committee said that despite efforts to shift airports away from residential areas, hindrances to flight operations persist. The construction of housing societies around airports has created a hazardous environment that puts the safety of passengers and crew at risk.

To address this issue, the committee has recommended that the CAA be given the authority to declare the maximum height for the construction of high-rise buildings around airports.

The committee believes that re-establishing the CAA's authority will help to prevent future hazards and ensure the safety of all those involved in flight operations. The committee has sought a formal report from the CAA on the illegalities occurring at funnel zones. These areas are critical to flight operations, and any illegal activities taking place there could pose a significant risk to safety.

The Standing Committee is committed to improving flight operations in Pakistan and ensuring the safety of all those involved. We urge all relevant authorities to take swift action on these recommendations to address the hazards around airports.

The committee raised the point that mostly people are not satisfied with the crash reports and demand more transparency in determining accountability. One of the incidents that occurred in the past had an engine from Canada and a body from France and urged that we must convey our grave concerns to these countries regarding the horrific crash that claimed the precious lives of Pakistani citizens.

The committee believed that safety is paramount and urges all relevant authorities to take swift action to ensure the safety of all air passengers in Pakistan. We would continue to work diligently to address these concerns and demand accountability for any negligence that may have resulted in these tragedies. We encouraged all concerned parties to come forward and collaborate with us in ensuring a safer and more secure aviation industry in Pakistan.

Upon inquiring by the Committee on issues faced by the Pakistan International Airlines (PIA) planes, the committee has received concerning reports from citizens about the safety of its planes. In response, the Deputy Director General (Regulations), CAA has briefed the committee on recent developments, including the grounding of four aero-planes due to the PIA's failure to obtain the Certificate of Airworthiness.

The committee is deeply concerned about air crashes in Pakistan and is actively investigating to determine responsibility for these tragic incidents.

The committee also raised concerns about the behaviour of the PIA officials towards respected parliamentarians at airports, emphasizing that if parliamentarians are not respected, it is unlikely that ordinary citizens will be treated with respect.

The CAA has informed the committee about a surplus of Rs41 billion for the financial year 2021-2022, the highest ever recorded by the authority.

However, the deputy DG of the CAA has expressed concerns regarding the addition of Rs50 billion in income tax on non-receivables from the PIA, which has accumulated to Rs150 billion. He has requested the committee to take the necessary action to address this issue.

The CAA is committed to ensuring the safety and security of the aviation industry in Pakistan and will continue to work with relevant authorities to address any concerns or issues that may arise. While investigating the affairs of the PIA, the committee has expressed serious concerns regarding the under-employment of pilots in the airline. The PIA is facing a shortage of senior pilots due to a policy of taxing their salaries by 40 per cent. Furthermore, the fake license scandal that surfaced in the aftermath of the tragic PIA plane crash at Karachi in May 2022, which claimed the lives of 97 people, has also contributed to the airline's pilot shortage.

The committee was briefed by the CAA about the filing of FIRs against pilots who obtained licenses using unfair means, and the CAA's engagement with the European Union (EU) and the United Kingdom (UK) to revive PIA flights for European destinations.

The committee has raised concerns about the behaviour of PIA officials towards respected parliamentarians at airports, emphasizing that if parliamentarians are not respected, it is unlikely that ordinary citizens will be treated with respect. The committee feels that the PIA needs to be revived to international standards, either by introducing reforms or through privatisation. The committee recognises the importance of the PIA in the aviation industry and will continue to work towards ensuring the airline's success.

The meeting was attended by Choudhary Faqir Ahmad, Romina Khurshid Alam, Shahnaz Saleem Malik, Dr Darshan, Syed Abrar Ali Shah, Ramesh Lal, Kamal Uddin, Muhammad Abu Bakar, and Saira Bano, MNAs. Senior officers of the Ministry of Aviation and the CAA, the PIA, and the ASF were also present in the meeting.