

## **ADB'S IED RATES TECH AID FOR SUPPORTING ECONOMIC CORRIDOR SUCCESSFUL, RELEVANT**

**ISLAMABAD: The Independent Evaluation Department (IED) of the Asian Development Bank (ADB) has rated technical assistance for “Pakistan: Supporting Economic Corridor Development through Strategic Planning Frameworks” as successful and relevant.**

The IED in its validation report stated that the technical assistance (TA) project was aimed to provide knowledge support to Pakistan government in preparing its national plan with focus on promoting efficient growth and connectivity, particularly through economic corridor development (ECD).

The TA report noted that the growth and trade performance of the government of Pakistan had stalled and was largely driven by consumption with low levels of investment due to perceived security issues, energy shortages, and a poor business regulatory environment.

In 2016, ADB approved a small-scale TA to provide basis for initial assessment of viable economic corridors in Pakistan. Economic corridor development was reflected in the [People’s Republic of] China-Pakistan Economic Corridor, as well as in the corridor projects under the Central Asian Regional Economic Cooperation (CAREC). At the request of the government of Pakistan, the subject TA was approved as a follow-on TA to (i) further assess the potential of ECD to boost industrial productivity, exports, and job creation and (ii) thereby contribute to sustained, increased, and equitable economic growth.

The development of an ECD policy and operational framework were intended to support Pakistan’s participation in global value chains and enhance its trade and economic competitiveness, supported by feasibility studies for ECD identification, design, and implementation, and an ECD knowledge hub to support capacity and decision making.

The overall logic of the results chain was clearly shown such that the intended outputs to be adopted or established at completion (i.e., framework, analytical tools, and ECD hub) could directly contribute toward better integrated ECD planning. However, the intended outcome of increased investments was ambitious for a policy-relevant TA and would entail a wider and longer-term ADB partnerships and operations in Pakistan and in the region.

The TA extension was approved in June 2020. The main justification for extending the TA for another year was the setback in establishing an ECD hub in view of the need to wait for the delivery of three outputs. This validation views that there could have been a more thorough review of the feasibility of establishing an ECD hub at the time when governments worldwide were addressing the pandemic, and further collaboration and integration in this area became the least priority.

Extending the TA mainly to give time to deliver Output 1, Output 2, and Output 4, as well as the possible re-scoping of Output 3 (ECD hub establishment) given the recent global health crisis, would have been a more appropriate justification.

The TCR rated the development of frameworks (Output 1 and Output 4) as achieved, while the development of analytical tools (Output 2) was partly achieved, and the establishment of ECD hub (Output 3) was not achieved.

The ECD and special economic zone (SEZ) strategic policy frameworks were incorporated into national policies, as part of the Ministry of Commerce (MoC) Strategic Trade Policy Framework 2018–2023. In addition, the TA’s knowledge product Economic Corridor Development in Pakistan was referenced by the Ministry of Industries and Production as part of its mandate to prepare Pakistan’s industrial policy framework.

The TCR noted that the TA presented case studies on global best practices, held meetings with federal and provincial governments, and consulted with stakeholders through focus group discussions, and seminars on the potential and challenges of ECD. The TCR noted that 10 analytical tools on ECD were developed in close consultation with the GoP and stakeholders. It also noted that the tools were taken up by the State Government of Punjab’s urban unit for data collection and that the tools informed the main ECD study listed in Output 1. The TCR did not note though that these analytical tools were adopted.

The establishment of the ECD hub was intentionally sequenced to follow the other three outputs. ADB undertook some preliminary activities to scope think tanks for their potential to contribute to the hub. The TCR noted that the ECD hub was not established. The TCR noted that the policy framework for improving competitiveness was incorporated as part of the MoC Strategic Trade Policy Framework, 2018–2023, which entailed preparing a national policy for improving competitiveness, a national tariff policy, and a trade-related investment policy framework.

## **PPIB URGES SBP TO RESOLVE CPHGC'S FOREX ISSUES**

**ISLAMABAD:** The Private Power & Infrastructure Board (PPIB) has urged the State Bank of Pakistan (SBP) to resolve foreign exchange issues of China Power Hub Generation Company (CPHGC) to avoid embarrassing situation.

In a letter to Executive Director, Exchange Policy Department, State Bank of Pakistan (SBP), Managing Director, PPIB, Shah Jahan Mirza referred to the letter of Chinese power company written on February 6, 2023 wherein the Company stated that it is facing severe delays in executing its foreign payment obligations towards its fuel suppliers and O&M contractor due to unavailability of foreign exchange; and that its Authorized Dealer, named as Standard Chartered Bank (SCB), vide its letter of February 2, 2023 has specifically mentioned that they are not in a position to arrange foreign exchange for pending payments of the Company amounting to \$ 40.44 million for imports/commercial remittances.

Further, SCB has also highlighted that the current foreign liquidity issue creates significant risk on Company's upcoming debt repayment installment of around \$ 82 million which is due in April 2023.

Managing Director, PPIB, who is facing Chinese government's ire for his failure to honour commitments with Chinese companies, in his letter stated that the company owns a 1,320 MW imported coal power project under the CPEC framework, adding that non-availability of requisite foreign currency would result in lapse of consent under IA that would expose GOP to various potential litigations.

Pursuant to provisions of Implementation Agreement (IA), it is the responsibility of GoP to make available through SBP foreign currency not available through normal banking channels within specified time; it will create embarrassing situation for GoP wherein a CPEC project defaults under the Financing Documents due to non-availability of foreign exchange.

Chief Executive Officer (CEO), CPHGC, Ren Lihui, in his letter to MD PPIB sought his intervention and measures in consultation with relevant authorities under section 10.4 of IA to make the availability of foreign currency on urgent basis.

"Inability to arrange foreign currency will result in disruption of services under various agreements and as a consequence of failure to make such payment(s) relevant contractors can initiate the legal proceedings against the company for not complying with the terms of the respective agreement(s)," said CEO of Chinese company.

On March 7, 2023, the Prime Minister Office (PMO) directed the Power Division to hold a meeting with Special Assistant to Prime Minister on Power, Zafaruddin and sort out issues related to establishment of Revolving Account meant to facilitate payments to Chinese power plants established or being established under the CPEC initiative. Chinese embassy in Pakistan has also raised the issues of Chinese power companies repeatedly with the Prime Minister, Finance Minister, Prime Minister's Special Assistant on Coordination, Syed Tariq Fatemi and other concerned authorities but their concerns are still unattended due to forex crisis.

## **'FINANCIAL SYSTEM CAN BE MADE SHARIAH-COMPLIANT BY REGULAR ISSUANCE OF SUKUK'**

**LAHORE:** The financial system of the country can be made Shariah-compliant and interest-free by regular issuance of Sukuk as a comprehensive framework for Sukuk already exists in Pakistan, said banking sector experts. They said the Federal Shariat Court has already observed that five years period is reasonably enough time for the implementation of the Shariah compliant banking by specifying 31st December 2027 as a cut-off date for a complete elimination of Riba from Pakistan.

Federal Finance Minister Ishaq Dar has reiterated the government's resolve to abolish the interest in the banking system and replace it with Islamic mode of banking within the next five years.

The State Bank of Pakistan is already following Shariah Standard for Audit and Accounting amidst the existence of a number of full-fledged Islamic Banks in the country in addition to many conventional banks with branched or windows of Islamic banking, which is ample evidence that the transformation for conventional banking into Riba-free or Islamic banking system can easily be achieved. This mode of banking is contributing a lot in bringing economic stability in the country according to its market share. They said the accounting standard adopted by the SBP for this purpose are made and issued by a highly reputed international body of well recognised Islamic scholars of the world called Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). The bank is also following the recommendations of Islamic Financial Services Board (IFSB), they added.

The sectoral experts have further pointed out that the word “interest” appearing in all other laws related to insurance business, money laundering, benevolent fund, saving certificates rules, negotiable instruments, land acquisition and other fields will also be deleted and amended once the banking system is made fully compliant with Shariah. They said charging of any amount in any manner over the principal amount of a loan or debt is Riba which is prohibited in complete and absolute terms according to the injunctions of Islam.

In banking terms, they said, any transaction of money of the same denomination and value where the quantity on both sides is not equal, either in a spot transaction or in a transaction based on deferred payment is Riba.

These experts have further pointed out that any kind of socio-economic, legal or religious change in the borrower or the lender of a loan transaction involved Riba does not change the nature of prohibition. It is equally forbidden for the poor and the rich and even for the Muslims and non-Muslims in an Islamic state. Similarly, they added, a change in the purpose of taking loan, ratio of percentage, and legal status of any party involved in a Riba transaction would not change the nature of its prohibition.

## **NEELUM-JHELUM SURCHARGE: PAC DIRECTS PD TO REFUND ADDITIONAL AMOUNT TO MASSES**

### **GAS SUPPLY DOUBLES FROM SINDH FIELD: MARI PETROLEUM SAYS SACHAL PROJECT WILL SAVE \$600M VIA LNG SUBSTITUTION AFGHAN COAL EXPORTS TO PAKISTAN ‘DOUBLED’: TALIBAN EARN \$160M IN TAX AS INTERIM GOVERNMENT COFFERS SWELL**

TORKHAM: According to a 2022 report by research group XCEPT, coal exports to Pakistan likely doubled under the Taliban government and earned Afghanistan \$160 million in tax – three times what the previous administration was capable of. Pakistan has been hammered by the global energy crisis caused by the war in Ukraine at a time when an economic crisis has withered its dollar reserves. So it brokered a deal to pay for Afghan coal in rupees -- cutting out usual suppliers in South Africa and Indonesia.

A dusty logjam of trucks inches across a rut in the mountains splitting Pakistan and Afghanistan, teeming with a cargo of fruit and coal -- and paying the Taliban authorities for the privilege of passage.

In downtown Kabul, a patrol of accountants inspects a bazaar, billing shopkeepers for trading honey, hair conditioner and gas hobs under the snapping white flag of the country's new rulers.

Afghanistan is frozen deep in a second winter of humanitarian turmoil since the Taliban seized power in 2021, but cash is changing hands at a dizzying pace.

The Taliban administration is proving adept at collecting tax -- and seemingly without the corruption associated with the previous administration.

At Torkham on the border, one trucker told AFP that under the old regime he would pay 25,000 Afghani (\$280) at illegal checkpoints along a 620 kilometre (380 mile) trip to Mazar-i-Sharif.

"Now we travel day and night, and no one asks us to pay," said 30-year-old driver Najibullah.

In late January, the World Bank reported "strong" revenue collection at 136 billion Afghani (\$1.5 billion) over the first nine months of 2022 -- broadly in line with the final full year of the US-backed regime.

"It has been reported quite consistently that they're doing quite well on revenue, and that too is happening when economic activity is quite subdued," an official with a foreign organisation in Afghanistan told AFP.

"It was a shock."

However, in a country where the United Nations says half the citizens face severe hunger, the figures beg many questions.

About 60 percent of the Taliban treasury is funded by customs, the World Bank says, raised at tumbledown checkpoints like Torkham in eastern Nangarhar province, where truckers trade rubber-stamped paperwork for cash.

Incoming freight is mostly food -- oranges, potatoes and World Food Programme (WFP) flour -- but the outgoing lane is dominated by a convoy of lavishly painted trucks loaded with chromite and coal.

However, the mining industry relies heavily on child labour, with punishingly low pay and the barest safety measures.

"This has been their strategy from day one -- to increase revenue no matter what," former deputy commerce and industry minister Sulaiman Bin Shah told AFP.

The Taliban's lodestar has always been law and order -- albeit on their ultra-conservative terms -- and there are signs Kabul's coffers have benefitted from a crackdown on corruption which leached the US-backed government for 20 years.

Afghanistan climbed 24 places up Transparency International's corruption perception ranking last year, a rare case of a metric improving for the country.

"Afghanistan has that capacity, which now we are collecting," said finance ministry spokesman Ahmad Wali Haqmal.

"The main problem was the corruption."

But analyst Torek Farhadi sees it another way.

"They are more effective because people are scared of them," he said.

"The Taliban have an iron grip on the administration. They have the guns, and nobody can steal any money."

The Taliban's transition from insurgents to bureaucrats is not entirely surprising.

During their 20-year guerilla war, they established a shadow government in many areas they controlled, including courts, regional governors and a tax system to fill their war chest.

Afghanistan's customs director Abdul Matin Saeed once ran shadow toll booths for the insurgency in Farah province, bordering Iran, and Balkh, bordering Uzbekistan, roving the territory on raspy motorbikes to evade capture.

"We didn't have complete control over the roads... but still we were meeting our ends," he told AFP.

This experience was "very handy" when the republic fell and he took office in Kabul, he says.

The government's ability to raise revenue has far-reaching implications.

The international community has pressured the regime over restrictions on women's rights with financial sanctions, but their ability to raise domestic revenue grants them greater independence.

It also presents a dilemma for donors -- does providing humanitarian support free up the Taliban administration to pursue discretionary aims such as quashing dissent?

But perhaps the most glaring issue is the lack of clarity over how all this cash is spent.

Last year the Taliban government issued an annual budget outlining 231 billion Afghanis of spending, but scant further detail.

"This money goes to the functioning of the government of the Taliban," said analyst Farhadi.

"I want to see how they spent it. Where did it go?"

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## **SMEs: CCP RECOMMENDS NEW LAW**

ISLAMABAD: The Competition Commission of Pakistan (CCP) has strongly recommended a new SME Act for the Small and Medium Enterprises (SMEs) with an effective SME banking network and new definition of the SMEs to include micro-enterprises as per global standards.

On Thursday, CCP Chairperson Rahat Kaunain Hassan shared the draft report on "Improving Economic Efficiency of SMEs" during the seminar in connection with International Women's Day to discuss the crucial role of Small & Medium Enterprises in the economy with a special focus on contributions and challenges of women entrepreneurs.

The Report reviews the SME Policy Framework in Pakistan and based on two surveys concerning demand side constraints and supply side issues in SMEs' growth and challenges in SME financing, offers recommendations to the Government of Pakistan and other concerned entities focusing on competition aspects, i.e., to ensure a level-playing field for SMEs to compete, which shall lead to the growth of the SME sector, as per report.

The CCP presented its draft report on "Improving Economic Efficiency of SMEs." The report identifies access to finance as a major barrier to SMEs. A survey of 50 financial institutions was conducted in 2021 which showed that only 30 out of the 50 lend to the SME sector. Among these 30 FIs, the lending is skewed towards medium enterprises and only two were able to achieve the indicative lending targets set by SBP in the sector. SBP prepared National Financial Inclusion Strategy (NFIS) in 2015 in which the SME sector was identified as a priority sector and the target set for SME lending was 17% of private sector financing, to achieve by 2020. However, the SME lending was only 5.40% of the private sector lending in September 2022 and over the last 5 years the lending has remained between 6-7%. The report recommends that the targets need to be enhanced and aggressively followed.

The report also emphasizes the need for an SME Act, an effective SME banking network with focused SME desks, as well as redefining SMEs to include micro-enterprises with distinct thresholds as per global standards.

In her opening address, Rahat Kaunain Hassan highlighted the critical role of Small and Medium Enterprises (SMEs) in driving economic growth. She explained that the choice of SMEs as the seminar's theme was due to their impact and estimated contribution of up to 40% of GDP in the economy and being one of the key components of CCP's strategic vision 2020-2023. While discussing the country's economic challenges, she emphasised the importance of enforcing competition principles in such times of crisis as a necessity. Hassan also emphasized the need to promote women's economic empowerment that will change the economic landscape.

The theme of the seminar was, "Women in SMEs: Challenges and way forward" and it was attended by a wide array of stakeholders including the representatives of small businesses, chambers of commerce & industry, commercial counsellors of foreign embassies in Pakistan, women-led SMEs, and regulators. Rahat Kaunain Hassan along with the senior officers including female staff members were in attendance. All speakers were unanimous in having long-term and consistent policies for SMEs to become vibrant.

## **CABINET APPROVES HAJJ AND NATIONAL CLEAN AIR POLICIES**

**ISLAMABAD:** The federal cabinet has approved National Clean Air Policy as well as the National Accountability Amendment Ordinance 2023 and Hajj Policy on Thursday.

The meeting of the federal cabinet presided over by Prime Minister Shehbaz Sharif was informed that there has been a substantial increase in air pollution in Pakistan over the past years. According to the Air Quality Index Report 2022-23, Karachi and Lahore are the most-affected cities in Pakistan in terms of air pollution. According to the report, air pollution in Pakistan reduced the average human lifespan by 2.7 years. According to a 2016 World Bank report, Pakistan's economy suffers substantial annual losses due to air pollution.

In recent years, the number of accidents and various diseases due to smog in cities has increased tremendously. In this regard, the Ministry of Climate Change formulated a comprehensive policy to protect citizens' health, reduce annual deaths, improve agriculture and improve air quality in urban and rural areas.

The policy proposes raising fuel standards from Euro 5 to Euro 6, strict regulations for industrial emissions, innovation in agriculture and effective treatment of crop waste incineration, universal waste disposal practices, and low-emission cooking methods will be welcomed. The implementation of the policy will reduce the emission of toxic gases by an average of 40 percent in the next 10 years. A National Action Committee and a Technical Committee will be formed for effective and sure implementation of the policy.

The National Action Committee will not only provide long-term policy guidance in this regard but will also make necessary changes in the policy every five years keeping in mind the ground realities.

The Technical Committee will formulate a plan for the implementation of the policy and ensure its implementation and report to the National Action Committee. This technical committee will also make suggestions to remove the obstacles in the implementation of the policy.

Pakistan is currently suffering from severe pollution and many of its major cities are considered hazardous by the Air Quality Index. According to the latest data, the average human life in Pakistan has decreased by 2.7 years due to air pollution. In this context, the Ministry of Climate Change has set up the National Clean Air Policy. Implementation of the National Clean Air Policy will reduce air pollution and increase the average human lifespan by two years.

The federal cabinet was given a detailed briefing on the energy-saving strategy by the Power Division.

The meeting was told that the Ministry of Power, Petroleum, Ministry of Industry and Commerce, and Ministry of Information are ensuring the implementation of the targets set by the cabinet. The federal cabinet approved the National Accountability Amendment Ordinance, 2023, on the recommendation of the Ministry of Law and Justice. The recent amendments made in the National Accountability Ordinance, 1999, had created some legal complications as many cases which were not covered by the NAB Ordinance were facing difficulties in transferring to other courts, tribunals, and forums. After consultation with all the stakeholders, these amendments have been made in the NAB Ordinance, after which, accountability courts will get legal justification in transferring these cases.

These amendments will also remove the impression that such cases which do not come under the purview of the NAB Ordinance will be decriminalized. The federal cabinet has officially approved the Hajj Policy 2023. The prime minister directed the relevant authorities to complete an effective and comprehensive strategy as soon as possible with the cooperation of the Saudi Arabian authorities in order to provide all possible facilities to Pakistani pilgrims during their journey and Hajj.

The federal cabinet approved the decisions taken in the meetings of the Economic Coordination Committee (ECC) held on 01-03-2023 and 06-03-2023 and decisions made in the meeting of the Cabinet Committee on Legislative Cases on March 6, 2023.