FOREIGN MINISTER SAYS IMF NOT BEING FAIR

ISLAMABAD: Foreign Minister Bilawal Bhutto Zardari has stated that the International Monetary Fund (IMF) is not being fair to Pakistan, adding that the country is in a "a perfect storm" of crises.

Cash-strapped Pakistan is in a race against time to implement measures to reach an agreement with the Fund. The agreement with the IMF on the completion of the ninth review of a $7 billion loan programme — which has been delayed since late last year — would not only lead to a disbursement of $1.2bn but also unlock inflows from friendly countries.

The prerequisites by the lender are aimed at ensuring Pakistan shrinks its fiscal deficit ahead of its annual budget around June.

Pakistan has already taken most of the other prior actions, which included hikes in fuel and energy tariffs, the withdrawal of subsidies in export and power sectors, and generating more revenues through new taxation in a supplementary budget. As a last step, the international lender has required Pakistan to guarantee that its balance of payments deficit is fully financed for the remaining period of an IMF programme.

In a wide-ranging interview with the Associated Press on Friday, Bilawal said that Pakistan was facing an economic crisis, the consequences of last year's catastrophic flooding and terrorism which was "once again rearing its ugly head".

According to the report, the minister sharply criticised the IMF. Bilawal said the PPP supported expanding revenue collection and believed those who were well off should pay more, but added that Pakistan had been unable to achieve structural tax reform "for the last 23 IMF programmes that we have been a part of." "Is it really the time to nitpick about our tax policy and tax collection while we're suffering from a climate catastrophe of this scale?" Bilawal asked.

The IMF is not being fair to Pakistan, which is also dealing with 100,000 new refugees following the West's withdrawal from Afghanistan and "a steady uptick of terrorist activities within our country," the publication quoted him as saying. He further said that the IMF was stretching out talks at a time when the country needed money to help the "poorest of the poor". "And they're being told that until their tax reform is not complete, we will not conclude the IMF programme." He said that Pakistan was able to navigate the Covid-19 pandemic, the Taliban's takeover of Afghanistan, as well as inflation and supply chain disruptions. But then last year's floods devastated the country, he said, calling it the "biggest, most devastating climate catastrophe that we've ever experienced."

Pak-China ties/ He further said that Pakistan had a "very healthy economic relationship" with China that was "also in the spotlight as a result of geopolitical events".

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GOVERNMENT SEEKS REVIEW OF OMCs' EXCHANGE RATE FORMULA

KARACHI: The federal government has asked the Oil and Gas Regulatory Authority (OGRA) to review the existing formula of exchange rate adjustment on import of petroleum products, The News learnt on Friday. "The existing exchange rate adjustment formula is flawed as it doesn't accurately adjust the rate of exchange as it is based on Pakistan State Oil (PSO) exchange rate," the representatives of oil sector companies told State Minister for Petroleum Dr Musadik Malik in a meeting.

The meeting was convened to ponder over the issues of the sector, especially exchange rate adjustment and shrinking credit lines of oil companies to import oil due to steep decline in the value of rupee. Dr Musadik asked the OGRA officials to go for a fair and just formula for exchange rate adjustment as the current formula was based on the PSO exchange rate.

Sources pointed out that if the exchange loss of PSO on fortnightly basis was Rs5/litre, the other oil sector company would be given only Rs5 even if its exchange loss was Rs7/litre. They added that the benchmark exchange rate of PSO did not compensate the other oil companies completely in receiving the full amount on exchange losses following massive rupee depreciation in recent months.

Few days back, Oil Marketing Association of Pakistan (OMAP) had also pointed out that as exchange rate losses were being passed on partially, PSO recently brought this issue to OGRA's attention.

According to PSO calculations supplied with OGRA, the exchange loss adjustment for PMG and HSD came to Rs16.21 and Rs163.02/litre, respectively, whereas only Rs15.74 and Rs27.80/litre were adjusted for current prices starting on March 1, 2023.

Oil marketing companies (OMCs) would be under a burden in this situation, and would not be able to continue operating with such a price anomaly. It was pointed out that this also goes against the officially approved price structure.

Resultantly, the industry is suffering losses worth Rs35-40 billion, OMAP noted in a letter to OGRA. The OMAP letter said that the oil marketing sector is still experiencing significant losses and is under a lot of strain. Also, the exchange losses vary based on the products that OMCs import. By applying an exchange loss adjustment through price, OMCs with a greater percentage of imported product received less compensation than entitled. Because of this occurrence, OMCs and other entities that acquire or sell the local refineries' output or have minimal or no imports have an unfair and unrealistic advantages.

Sources said that the petroleum minister also assured he would take up the issue of credit lines of the oil sector companies with the State Bank of Pakistan (SBP). "I will hold a meeting with SBP authorities next week," sources quoting the minister stated.

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POWER SUPPLY TO 5 ZERO-RATED SECTORS, AGRI TUBEWELLS: CONCESSIONAL TARIFF WITHDRAWAL DECISION ENDORSED

ISLAMABAD: The National Electric Power Regulatory Authority (Nepra) has endorsed the federal government's decision to withdraw concessional tariff of five export-oriented sectors and agriculture tubewells from March 1, 2023. According to Nepra's decision, Power Division, on March 7, 2023, has intimated the following decision of the Federal Cabinet of February 28, 2023; (i) discontinuation of concessional tariff being provided @ Rs. 19.99/kWh all-inclusive to the five export-oriented sectors from March 1, 2023; (ii) discontinuation of special relief of Rs.3.60/kWh provided to the private agriculture consumers in their current base rate of Rs. 16.60/kWh from March 1, 2023.

The Power Division has mentioned that Kissan Package was implemented with the endorsement of the Authority and has now requested the Nepra to endorse both the directions conveyed to the Discos and K-Electric. Kissan Package was allowed by the Authority on December 26, 2022 upon the request of the Power Division which was subsequently notified. However, concessional tariff Rs. 19.99/kWh for five export-oriented sectors, (ZRI Package) was unilaterally approved and notified by the federal government.

The Authority has observed that both the reliefs, ie, reduction in the base rate of private agriculture consumers by Rs.3.60/kWh, and concessional tariff @ Rs. 19.99/kWh all-inclusive to the five export-oriented sectors, were being picked up by the Federal Government as part of subsidy.

The Federal Government has now decided to discontinue both reliefs from March 1, 2023, meaning thereby that these reliefs will not be picked up as part of subsidy.

The Nepra is of the view that considering the fact that provision of subsidy is the prerogative of the federal government, arid withdrawal of it by the federal government would not have any impact on the Nepra's determined tariff, therefore, the Authority has no objection on the discontinuation of concessional tariff to export oriented industries and Kissan Package for private agriculture consumers. The Nepra also approved positive adjustment of Paisa 47.79 per unit in FCA of Discos for January 2023 to recover in March 2023. In another decision, Nepra has approved positive adjustment of Rs 1.7113 per unit in FCA of KE consumers for month of January 2023 to be recovered in bills of March 2023.

MAR-OCT AND JUN-JUL 23: NEPRA APPROVES RECOVERY OF FCA FOR DISCOS

ISLAMABAD: National Electric Power Regulatory Authority (Nepra) has approved recovery of Fuel Charges Adjustment (FCA) of Rs 10. 34 per unit in eight months (from March to October 2023) and up to Rs 13.87 per unit for Discos against billings of June and July 2023 deferred for domestic categories due to higher charges.

Nepra had in its decisions of August 12, 2022 and September 12, 2022 approved Rs. 9.8972/ unit and Rs. 4.3435/unit for the months of Jun-22 and Jul-22, respectively to be charged in the billing months of Aug-22 and Sep-22 respectively for Discos. Similarly, for K-Electric (KE) consumers, Nepra through its determinations of July 07, 2022, August 10, 2022 and September, 09, 2022 determined Rs.9.8972 per unit of FCA to be charged in the Aug-22 billing cycle (Rs. 6.8858/unit pertaining to FCA of May-22 and Rs.3.0 114/unit pertaining to FCA of June-22) and Rs. 3.9738/ unit to be charged in Sep-22 billing cycle (Rs. 8.0909/unit pertaining to FCA June-22 and negative Rs. 4.1171/ unit pertaining to Jul-22).

Power Division while justifying its request submitted that rebasing of uniform tariff determined by Nepra and recommended by it as final tariff for publication in the official gazette was notified by the Federal Government in order to not burden the consumers disproportionately in a sequence of Rs.3.5/unit in July 2022 and Rs 3.5/unit in August 2022.

Consumers were hit by Rs.9.8972 per unit FCA plus Rs.7 per unit of rebasing simultaneously in August 2022 billing. This was an average increase of Rs. 16.90 per unit over and above the July 2022 rates. The above adjustments in tariff significantly increased the electricity bills for the months of August and September 2022. Moreover, the extensive flood due to abnormally heavy monsoon rains also affected consumers across the country. Under this scenario the Prime Minister of Pakistan decided to stagger the recovery of XWDISCOs and K-Electric FCAs.

MOTION FILED WITH NEPRA: ALL SET FOR RS3.23/UNIT ADDITIONAL SURCHARGE ON ELECTRICITY

ISLAMABAD: The Federal Government has filed a Motion with National Electric Power Regulatory Authority (Nepra) for imposition of additional surcharge of Rs 3.23 per unit on all categories of consumers' sans domestic consumers (protected category) across the country for indefinite period as per understanding with IMF, which wants continuation of additional recovery from consumers to minimize flow of circular debt.

The regulator is scheduled to hold a public hearing on March 16, 2023 to put its stamp on government's plan to further burden consumers, already facing historic inflation. Delay in imposition of additional surcharge was cited as one of the few key reasons which were in the way of finalization of agreement with the IMF.

According to Power Division, Economic Coordination Committee (ECC) of the Cabinet, in its meeting held on February 10, 2023 approved imposition of additional surcharge of Rs.3.39/unit (total surcharge became Rs. 3.82/unit) for four months'- from Mar-23 to Jun-23. Further the ECC also approved additional Rs. 1/ unit for FY 2023-24 (total surcharge for FY 24becomes Rs1.43/unit) for consumer categories to cover the mark up charges of Power Holding Limited (PHL) loans not covered through already appreciable FC surcharge @ 0.43/unit. The decision was duly ratified by the Cabinet on February 24, 2023.

Power Division maintained that surcharge of Rs.1.43/unit would yield Rs. 126 billion for 2023-24, which was not sufficient to meet the power producers' liabilities. These liabilities were essentially an obligation of the Federal Government with respect to payment of electricity services having nexus with the sovereign guarantees, adding that non-payment to power producers may result in loss of generation capacity which can lead to increased load shedding.

Further, since the payments to the power producers had been secured by sovereign guarantee, issued by the Government of Pakistan, the power producers would start calling upon the sovereign guarantees along with the imposition of late payment surcharge. Section 31(8) of the Regulation of Generation, Transmission and Distribution of Electric Power Act 11997 empowers the Federal Government to collect surcharges from the consumers for fulfilment of any financial obligation of the Federal Government with respect to electric power services, within the bracket of ten percent of the aggregate revenue requirement of all electric power suppliers. Accordingly, it was proposed that the amount of surcharge may be enhanced so as to yield Rs. 335 billion (against already approved number of Rs.126 billion for FY 2023-24) and onwards for different consumer categories.

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INCREASING PRODUCTION COST: PHARMA COMPANIES INFORM DRAP OF INABILITY TO MANUFACTURE OVER 1,300 MEDICINES

ISLAMABAD: A major healthcare crisis is looming in the country after some 56 local pharmaceutical companies apprised the Drug Regulatory Authority of Pakistan (DRAP) of their inability to continue manufacturing over 1,350 drugs that include essential and life-saving medicines, The News has learnt. “Some 56 local pharmaceutical companies from both the south and north regions have submitted force majeure letters of around 1,350 products, which have become financially unviable for them”, Syed Farooq Bukhari, the Chairman of Pakistan Pharmaceutical Manufacturers Association (PPMA) told The News on Friday.

Around 150 medicines, including some essential and life-saving medicines including drugs for the treatment of tuberculosis, mental and neurological disorders, anesthesia, cardiac medicines, medicines for respiratory illnesses, anti-allergy medicines, products for ulcers, vaccines for hepatitis and other ailments are already not available in the country after local and multinational pharmaceutical companies ‘silently’ stopped their production citing a massive increase in the cost of production due to dollar appreciation and other issues.

PPMA Chairman maintained that it had become financially unviable for most of the pharmaceutical companies to continue production of medicines after dollars were not available in the market even at Rs 300, and added that the cost of production due to increase in petroleum prices, electricity and gas tariff had also increased manifolds. “On the other hand, the government has rejected the applications for price increase under hardship categories, raising baseless objections although these 119 hardship cases had been forwarded to the federal health ministry by the DRAP itself”, he added.

Another PPMA leader and former Chairman of the association Zahid Zaeed also confirmed that several companies had submitted force majeure letters but requested not to mention their names and products, fearing backlash from the Drug Regulatory Authority of Pakistan. “As per my information, over 60 companies have submitted around 1,500 letters of force majeure to the DRAP, expressing their inability to continue their production at the present prices. Companies are demanding an overall increase in the prices of medicines between 40 to 50 percent due to dollar appreciation, increase in the cost of medicines’ raw material and other factors contributing to the cost of production of drugs”, he added.

Chief Executive Officers of some of the leading pharmaceutical companies in Karachi, Lahore and Islamabad also confirmed to The News that they had sent letters of force majeure to the DRAP, expressing their inability to continue production of medicines saying some companies had even announced to stop production of dozens of their products. “Our company has sent force majeure letters of over 20 products while some companies have expressed their inability to continue production of over 300 and 150 medicines respectively”, the Chief Executive Officer (CEO) of one of the leading pharmaceutical companies in Karachi said.

Interestingly, not a single multinational pharmaceutical company has sent any force majeure letter to the DRAP although many of their products are not available in the market due to an unannounced production halt. Ayesha Tammy Haq, a spokesperson for the Pharma Bureau, the body of multinational pharmaceutical companies in Pakistan, claimed that neither any multinational company had served force majeure to the DRAP nor any company had stopped production of any product recently. “But it is also becoming unviable financially for the MNCs to continue manufacturing medicines in the current circumstances due to several economic factors including the dollar’s appreciation against the rupee and increase in the cost of production”, she added.

Officials in the DRAP confirmed to The News ‘unofficially’ that they were receiving letters for ‘force majeure’ from different companies for the last two weeks and added that so far, dozens of companies had submitted such letters to the DRAP in the recent days. “I can’t tell you the number of companies and products but we are receiving such letters from the pharmaceutical companies for the last few days”, an official of the DRAP said on condition of anonymity.

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BANGLADESH INVITES INVESTMENT: BUSINESSMAN STRESSES NEED FOR CONCLUDING FTA WITHOUT LOSS OF TIME

KARACHI: Bangladesh Deputy High Commissioner SM Mahbubul Alam has stressed the need for enhancing trade and investment cooperation with Pakistan. Speaking to businessmen during his visit to the Karachi Chamber of Commerce and Industry (KCCI), the envoy invited the KCCI to send a business delegation to Bangladesh to explore trade and investment opportunities as the country offered all the required facilities and infrastructure along with special incentives for foreign investors.

“The pending free trade agreement (FTA) with Bangladesh needs to be concluded without loss of time,” Union of Small and Medium Enterprises (UNISAME) President Zulfikar Thaver said while talking to The Express Tribune. It would benefit both countries which had vast potential of increasing import and export, he said, adding that increased collaboration, partnership and joint ventures could boost economic growth of both countries.

The envoy told the gathering that around 100 Special Economic Zones (SEZs) were being established across Bangladesh with the aim of promoting investment and accelerating economic growth through increased and diversified industrialisation, employment, production and exports.

“We have a lot of potential to work together, so we must make collective efforts for economic prosperity of the two brotherly countries,” he stated.

“There are challenges which have to be efficiently tackled through collective efforts. When Bangladesh was born, it had zero foreign reserves and most of the food items were being imported. But now the country holds impressive foreign reserves of $48 billion,” the envoy highlighted.

Alam pointed out that Bangladesh was not importing any food items as it was self-sufficient in domestic production. Besides, under vision 2041, the country intends to become a developed and smart nation.

“Investors of Japan, China, India and South Korea have already established production units in Bangladesh. Pakistani business community must also come forward to benefit from our potential.”

About delay in the issuance of visas, the envoy emphasised that they were trying their best to issue visas to members of business community at the earliest. However, individuals may face delay due to the procedures which have to be adhered to.

Pakistani exporters, who were not getting industrial input due to foreign currency shortage and not receiving energy at regionally competitive rates, may opt for relocating to Bangladesh, a country far more export-friendly than Pakistan, remarked SITE Association of Industries (SAI) President Riazuddin.

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