

WORLD BANK TO ENHANCE COOPERATION WITH PAKISTAN

WASHINGTON: The World Bank has reiterated its commitment to enhancing long-term development in Pakistan through cooperation in the renewable energy sector, particularly in hydro and solar power.

This was announced by Martin Raiser, Vice President for the South Asia Region of the international development and climate institution, during a meeting with Pakistan's Ambassador to the United States, Masood Khan.

According to a press statement released by the Pakistani Embassy, Raiser emphasised that this cooperation would be optimised in the years to come. The meeting centred on advancing cooperation between Pakistan and the World Bank in the development and climate response sectors.

Last October, Raiser co-chaired a high-level round-table with the United Kingdom on how to respond to the impacts of catastrophic floods in Pakistan on the sidelines of the 2022 Annual Meetings of the World Bank and the International Monetary Fund. In September 2022, he visited Pakistan and reaffirmed the bank's commitment to support the flood-hit Pakistani people. The ambassador expressed gratitude to the World Bank for its contribution of \$2 billion towards flood recovery, rehabilitation, and reconstruction during the International Conference on Climate Resilient Pakistan in Geneva. This contribution will cover support for housing, water and agriculture, social protection, and health, among other areas. He added, "The World Bank has been a resolute development partner of Pakistan."

The Pakistani envoy requested the bank for additional financing and assistance for health-related projects, especially for addressing the issue of water-borne diseases in flood-affected areas.

TR 15-3-2023

CHINESE GROUP INTENDS TO INVEST \$2BN IN TELECOM SECTOR

ISLAMABAD: The Sunwalk Group intended to invest \$ 2 billion in the telecom sector for the deployment of an optical fiber network, encompassing an area of 100,000 km over a period of time in Pakistan. A high-level delegation of the Sunwalk Group led by Chairman HOU called on Federal Minister for IT and Telecom Syed Aminul Haque, here on Tuesday.

The meeting discussed about investment in telecom infrastructure, optical fiber cable (OFC) and right of way (RoW). The Sunwalk (Pvt) Ltd, is a telecom and technology-based multinational private Chinese enterprise that has developed multiple telecom, communication infrastructure projects in China and has acquired the TIP License in Pakistan. The company already started deployment and invested about \$ 5 million and has a plan to deploy 5,000 km OFC as the next step.

Minister IT and Telecom Syed Aminul Haque briefed the delegation that consultation with the Ministry of Railways and Highways Authority is ongoing regarding Right of Way to laying OFC. He assured all obstacles in this regard will be removed soon.

HOU said that they have a longstanding relationship with Pakistan and also providing services to different sectors. The chairman Sunwalk Group expressed his gratitude to Federal Minister IT Syed Aminul Haque and his team for their full support and cooperation. The meeting was attended by Member Telecom Muhammad Omar Malik, DG Wireless Jahanzeb Rahim while the Sunwalk delegation comprises; LOU Vice President of Sunwalk Group, Tony Li (Assistant to Chairman), Chen Dianbo (COO of Sunwalk Pakistan), and Afshaan Malik (CBO of Sunwalk Pakistan).

R 15-3-2023

ONLY ONE SAUDI BANK OPENING LCS FOR PAKISTAN'S CRUDE IMPORT

KARACHI: Al-Rajhi Bank of Saudi Arabia is the only foreign bank presently confirming letters of credit (LCs) for Pakistani crude oil import after the refusal from other global banks, The News learnt on Tuesday. For several months, foreign banks have been refusing to confirm the letters of credit for the import of crude oil on account of the burgeoning dollar crisis faced by Pakistan. Except Al-Rajhi Bank, other banks refrained from taking on the liability.

The issue of non-confirmation of letters of credit by the foreign banks first surfaced in May last year, when some banks refused to confirm the LCs for oil imports. With the escalation of the dollar crisis, now the country is left with only one bank that has been taking on the liability of confirming letters of credit for crude import.

According to well-informed sources in the oil sector, the reliance on only one bank for the confirmation of credit letters has been causing severe hardships for the country's crude oil import. The issue was also raised before the State Bank of Pakistan (SBP) governor when the oil sector delegation apprised him about the issues confronting the sector.

The governor assured the delegation that foreign banks would be contacted to facilitate the crude oil imports of Pakistan. The SBP chief was informed that crude oil import is imperative to ensure the country's energy security and in case of hurdles, the country would have to go for importing petroleum products. However, importing petroleum products would be costlier for the country in terms of draining out more dollars.

Assuring the oil sector, the central bank governor said he would talk to the domestic banks to enhance the credit limits of the oil sector. However, he noted that banks “cannot go beyond a certain limit in extending credits”.

Credit limits of the sector have shrunk sharply in the last one year as dollar rate soared to Rs280 compared to Rs178 a year ago, the oil sector told the governor. Now the capital requirements for the oil sector cannot be met on the basis of existing credit limits, it was pointed out.

The SBP governor was informed about the cash flow problems in the oil sector due to non-recovery of exchange rate adjustment following petroleum price reviews done on a quarterly basis. Regarding the opening of letters of credit, the oil sector stakeholders asked the central bank chief to allow the opening of LC and its settlement from different banks as there was no restriction on opening of LC from one bank and its settlement from another bank in the past. Since the beginning of the dollar crisis, the LC can only be settled by a bank, which opens it, which according to the oil industry was creating hurdles in the settlement of oil import LCs. However, the SBP governor did not subscribe to the proposal of the oil industry and said that reversing the mechanism would create more volatility in the exchange rate.

TN 15-3-2023

ECC OKAYS RS50BN FOR PSO TO STAY AFLOAT

ISLAMABAD: Amid looming international default threat on national fuel supplier — Pakistan State Oil (PSO) — owing to a record Rs775 billion receivables, the government on Tuesday approved extending sovereign guarantee for Rs50bn commercial borrowing and fixed Rs8,500 per 40kg minimum intervention price for raw cotton known as phutti to revive a faltering cash crop.

The decisions were taken at a meeting of the Economic Coordination Committee (ECC) of the cabinet, presided over by Finance Minister Ishaq Dar, which also extended the deadline for export of sugar by 15 days and granted a supplementary grant of Rs10bn to the National Disaster Management Authority (NDMA) to support humanitarian activities in flood affected Turkiye and Syria.

The meeting was informed Pakistan’s cotton production had dropped gradually from a peak of 14.1 million bales in 2004-05 to 7 million bales in 2020-21 as low-profit margins compelled farmers to switch to other crops like rice, maize and sugarcane. The crop output improved to 9.45 million bales in 2021-22 as the government supported through intervention price but dropped again to 4.75 million bales in 2022-23 against a target of 9m bales owing to devastating floods.

The Ministry of National Food Security and Research (MNFSR), after consultation with cotton growers and the textile industry, advocated that cotton production could be increased to 15 million bales over a short period to meet the industry’s requirement, currently met through \$6bn imports, provided price intervention policy was supported.

The stakeholders’ consensus was reported at an intervention price of Rs8,500 per 40 kg which should be announced ahead of the sowing season, which starts in March to May, to encourage farmers to bring more area under the crop.

The ECC approved the intervention price at Rs8,500 per 40 kg with the expectation to enhance yield and area by 10-15pc which will remain in place until Dec 31. The ECC also directed MNFSR to constitute Cotton Price Review Committee (CPRC) with a mandate to review market prices and adjust the intervention price accordingly.

PSO bailout

The ECC was informed that PSO was importing 8-9 cargoes of Liquefied Natural Gas (LNG) per month from Qatar and was obligated to clear its international invoices within 15 days. The fuel supplier last week “conveyed SOS call for funds because its liquidity position is under severe stress as receivables touched Rs775bn” with a major Rs498bn contribution from Sui Northern Gas Pipelines Ltd (SNGPL) which increased by Rs211bn since April 2022.

PSO said its borrowing had also reached an all-time high at Rs411bn, resulting in an increased financial cost of Rs43bn for the current fiscal year and Rs73bn for 2023-24 which would completely wipe out its profitability. It said the Ministry of Finance had also not been releasing subsidies on time on account of over Rs40bn for the export sector, Rs26bn for fertiliser sector and over Rs200bn cost of diversion of LNG to domestic consumers.

The ECC had allowed sovereign guarantees for Rs50bn borrowing in the first week of January but the finance ministry took more than six weeks to issue a letter of comfort (LoC) in this regard. PSO reported that even with that “Rs50bn commercial borrowing, there is not much improvement in its liquidity requirements leading to possible default in international payment obligations”. An urgent huddle at the finance ministry ahead of the ECC meeting concluded that SNGPL should be given a sovereign guarantee and LoC to raise Rs50bn from the market for payments to PSO.

“In order to enable PSO to remain afloat in its payment obligations to LNG suppliers and to continue LNG supply chain, the ECC allowed a sovereign guarantee in favour of SNGPL for commercial borrowing of Rs50 billion on immediate basis”, said an official statement.

The Ministry of Commerce told the meeting that ECC had allowed the export of 250,000 tonnes of sugar on Jan 11 within 45 days through the allocation of quota by provincial cane commissioners with the condition that export proceeds should be realised in advance through banking channel or within 60 days of the opening of LCs for export. Therefore, on the recommendation of the ministry of commerce, the ECC allowed an extension from 45 to 60 days time limit for shipment of sugar from the date of quota allocation.

OMC INCHES CLOSER TO DEBT RESTRUCTURING

KARACHI: The board of directors of Hascol Petroleum Ltd on Tuesday approved a business model involving debt restructuring.

The oil marketing company told investors that its board approved amendments to the Scheme of Arrangement, which had been agreed with “most of its bankers”. Hascol has been in trouble since 2018 partly for making inaccurate entries in its financial accounts. It’s now in the middle of seeking approval from creditors for its plan to rehabilitate the company through “restructuring/rescheduling, settlement and repayment” of financial obligations.

The company filed a scheme of arrangement with the Sindh High Court, which ordered it in November 2022 to convene meetings with banks for their approval. The company will reconvene the creditors’ meeting planned during April to present the modified scheme to its secured creditors for necessary approvals. Thereafter, it will be submitted to the High Court and... it will bind the company and its bankers into a new financial structure,” the company said. Hascol has been in negotiation with all its lenders to restructure its entire debt of Rs54 billion and has designed a restructuring scheme that entails the settlement of the full amount to the satisfaction of lenders, it added.

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ECC EXTENDS SUGAR EXPORT TIME PERIOD TO 60 DAYS

ISLAMABAD: The Economic Coordination Committee (ECC) of the Cabinet has allowed an extension in sugar export time from 45 days to 60 days for shipment from the date of quota allocation. It allowed Rs50 billion sovereign guarantee in favour of the SNGPL for commercial borrowing to support Pakistan State Oil (PSO).

The meeting of the ECC presided over by Finance Minister Ishaq Dar was submitted a summary by the Ministry of Commerce with regard to the extension in the shipment period of sugar export. The meeting after a detailed discussion allowed the extension from 45 days to 60 days’ time limit for shipment of sugar from the date of quota allocation.

The Ministry of Energy (Petroleum Division) put up a summary on the liquidity requirement of the PSO for the import of petroleum products in the country and argued that the PSO is engaged in the import of Liquefied Natural Gas (LNG) in the country to meet the energy requirement in terms of LNG and petroleum products.

The PSO is importing 8 to 9 LNG cargos per month, whereas, as per the contracts with LNG suppliers, the PSO is obliged to clear the invoices within the time frame. In order to enable the PSO to remain afloat in its payment obligations to LNG suppliers and to continue the LNG supply chain, the ECC allowed a sovereign guarantee in favour of the SNGPL for commercial borrowing of Rs50 billion on an immediate basis.

The Ministry of National Food Security and Research submitted a summary on Cotton Intervention Price (CIP) for 2023-24 Crop and argued that an announcement of CIP at this time, ahead of the main sowing season will help growers decide about the area and investment in cotton crop and expected to enhance yield and area by 10-15 percent. The ECC after a detailed discussion approved the proposal of the MNFSR to fix cotton (Phutti) Intervention Price at Rs8,500/40-kg for the current sowing season.

The ECC directed the MNFSR to constitute Cotton Price Review Committee (CPRC) with the mandate to review market prices. The ECC further directed the ministry to proactively involve the cotton industry. The ECC also approved an immediate allocation of Rs10 billion to the NDMA for payment for procurement and transport of the goods to affected areas in Turkey and Syria.

The NDMA submitted a summary on financial requirements for the NDMA execution plan regarding Pakistan’s assistance for Turkey and Syria earthquake-2023.

The meeting was informed that the devastating earthquake caused massive casualties in Turkey and Syria. To support the brotherly countries in their difficult time, the NDMA was directed to maximise and extend full support from 6th February and onwards.

Considering timely help and support to brothers and sisters in Turkey and Syria, Federal Minister for Industries and Production Syed Murtaza Mahmud, Federal Minister for Commerce Syed Naveed Qamar, Shahid Khaqan Abbasi MNA/ex-PM, SAPM on Finance Tariq Bajwa, SAPM on Revenue Tariq Mehmood Pasha, SAPM on Government Effectiveness Dr Muhammad Jehanzeb Khan, federal secretaries, and other senior officers attended the meeting.

PIIB DECIDES TO DROP LITIGATIONS AGAINST IPPs ON RECIPROCAL BASIS

ISLAMABAD: Private Power & Infrastructure Board (PIIB) has reportedly decided to withdraw all suits/ litigation against Independent Power Producers (IPPs) subject to reciprocal action by them, well informed sources told Business Recorder.

PIIB's Projects' Committee, sources said, has submitted its recommendations to the Board of PPIB headed by Secretary Power, for final approval. Managing Director PPIB Shah Jahan Mirza apprised that in 2011 an issue arose between IPPs and NTDC on account of delay/ non-payment under PPAs.

The IPPs claimed that they were unable to meet the capacity obligations due to non-payment of invoices by NTDC, resulting in their inability to procure fuel. Therefore, IPPs were 'deemed available' under their respective PPAs and NTDC was not entitled to deduct capacity payments there-under. This triggered a series of litigation before various courts/ forums by IPPs and GOP's agencies including PPIB, NTDC, CPPA-G, etc. Later the Federal Cabinet constituted a committee to negotiate with IPPs and after successive rounds of discussions a MoU was signed with IPPs, whereby it was agreed that all pending legal claims will be withdrawn upon satisfaction of the settlement terms. In view of Settlement Agreement (SA), Supreme Court of Pakistan (SCP) disposed of a CPLA arising out of one of the orders of Lahore High Court and in light of SCP's decision and terms of SA, all litigation for/ against GoP now needs to be withdrawn.

According to sources, representatives of GoKPK expressed concern regarding financial implication of withdrawal of litigation. DG Law PPIB explained that outstanding lawyers' fees, if any, will be payable in case of withdrawal of litigation. CEO/ CFO CPPA-G explained that this cost will be negligible as compared to the quantum of award, which was in favour of IPPs and if executed would have been payable by CPPA-G.

Moreover, all litigation between IPPs and CPPA-G, quantum of which was in billions of rupees and was in favour of IPPs, had already been withdrawn; accordingly PPIB and IPPs must also withdraw any pending litigation. MD PPIB added that while negotiating SA, the maximum tariff indexation adjustment in US dollar was capped at Rs 168, which is very beneficial today as the US dollar is equivalent to around Rs281. Representative of GoKPK inquired about the increased delayed payment ratio which today is KIBOR+2.0-2.5 5%, whereas in SAs, KIBOR+4.2% has been mentioned for delay beyond 60 days. DG Law PPIB explained that after negotiation the Settlement Agreement was approved by Federal Cabinet at that time, which cannot be renegotiated today. MD PPIB added that delayed payment rate in PPAs of these IPPs was KIBOR+4.5% and rate of KIBOR+2% for first 60 days which is actually a concessional rate in context of PPAs. After detailed deliberations on pros and cons of the proposal, the Projects Committee unanimously agreed to proposed withdrawal of litigation.

The Committee has requested PPIB Board to consider and approve withdrawal of all suits, applications, petitions by GoP/ PPIB against the IPPs subject to simultaneous withdrawal of all proceedings, applications and writs filed by the IPPs against GoP/ PPIB in respect of disputes as fully enumerated whether through joint statement or otherwise as deemed appropriate.

DRUG PRICE ADJUSTMENT: PHARMA INDUSTRY SEEKS SUPPORT OF GOVT

ISLAMABAD: Pharma industry has sought the support of the government for addressing their issues related to price adjustment of drugs affected due to devaluation of the Pak rupee.

Finance Minister Ishaq Dar chaired a meeting of the committee constituted by the prime minister on the pharmaceutical industry's issues on Tuesday. The meeting was attended by Federal Minister for Economic Affairs Sardar Ayaz Sadiq, Federal Minister for National Health Services, Regulations and Coordination Abdul Qadir Patel, SAPM on Finance Tariq Bajwa, SAPM on Revenue Tariq Mehmood Pasha, SAPM on Government Effectiveness Dr Muhammad Jehanzeb Khan, Advisor to the PM on Establishment Ahad Khan Cheema, Chairman FBR, CEO DRAP, and senior officers.

While the delegation of the pharma industry included Syed Farooq Bukhari, Chairman PPMA, CEO GSK Erum Shakir Rahim, CEO Ferozsons Osman Waheed, MD Abbott Anis Ahmed, CEO Sante Tauqeerul Haq, Zahid Saeed former chairman PPMA, Hamid Raza former chairman PPMA, Shahzad Akram, Vice President FPCCI, ED Pharma Bureau Ayesha Tammy Haq, and others.

The meeting was briefed about the contribution of the pharmaceutical industry in the economic development of the country. The PPMA chairman appreciated the decision of the government on resolving the issues of LCs and fixing the price of paracetamol drug. He further sought the support of the government for addressing their issues related to price adjustment of drugs affected due to the devaluation of the Pak rupee.

The finance minister acknowledged the contribution of the pharmaceutical industry and stressed that the present government is committed to resolving the operational issues being faced by various sectors of the economy. Referring to the vision of the prime minister not to burden the common man, the finance minister emphasized that the government is determined and working hard to address the issues of the common man in spite of various economic challenges.

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SECP REVIEWS COMPANIES ACT

ISLAMABAD: The Securities and Exchange Commission of Pakistan (SECP) has initiated a comprehensive review of the Companies Act, 2017 to align the company law with international best practices and promote business growth and development in the country, it said on Tuesday. SECP chairman Akif Saeed has established a special Committee tasked with reviewing the act, recommending amendments, and organising an extensive consultation with stakeholders. SECP said expert opinions and insights could play a vital role in ensuring that any proposed changes in the act align with international best practice.

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KARACHI PORT TRUST KPT SEEKS TARIFF REVISION

ISLAMABAD: Loss-making state entity, the Karachi Port Trust (KPT) has sought revision in its tariff to meet the expenditure and capital investment in the port, a parliamentary panel was informed on Tuesday. The Public Accounts Committee (PAC) that met under Chairman Noor Alam Khan examined the Audit Report 2021-22 for the Ministry of Maritime Affairs. Members of the committee expressed displeasure over Rs 6.2 billion payment on account of bonuses to 4,000 employees at the rate of basic pay despite continuous net loss. An audit official said the KPT paid an amount of Rs 6.2 billion on account of bonuses for the last 10 years (2010-2020) on the occasion of Eid-ul-Fitr and Eid-ul-Azha. Four bonuses at the rate of four basic pays were paid during the year 2020-21.

All employees were paid without linking it with the individual's performance and the KPT profit. The audit is of the view that there is a continuous decreasing trend of surplus available to the KPT during the decade and finally, during 2019-20, the surplus of the KPT was not only totally exhausted but the entity registered a deficit of Rs 38 million. However, during 2020-21, there is a slight recovery of surplus due to positive fluctuation of the USD rate reflected surplus of Rs 1.77 billion.

Additional Secretary Incharge Maritime Affairs and former chairman KPT, Syed Muhammad Tariq Huda blamed the CBA to pressurise the management to raise salaries each year and proportion of salaries in total revenue is around 35 percent. "For example, if the revenue of the KPT is Rs28 billion, the expenditure is Rs 26 billion," he explained. Since 1994, he said that the tariff of the KPT had not been revised and no revenue was left for development work of KPT.

The PAC chairman said reward of bonus while entity was into losses was unjust and inquiry should be held and responsibility should be fixed. In another audit para pertaining to the illegal occupation of the KPT land and outstanding dues against oil companies of Rs 3.1 billion, the secretary said that the amount was accumulated on account of 37.5 percent municipal tax which was imposed to be utilised on the construction of roads, sewerage, and other facilities in the area. However, he said that the companies refused to pay as no development was seen and now the municipal tax would be revised downward to around 18 percent.

The committee further directed to demolish the illegal construction within the port area and outstanding dues of Shell Pakistan and compliance report be submitted to the PAC. The audit official observed that Shell Pakistan Ltd illegally constructed offices in the port area without the approval of the KPT management; however, the KPT has not taken any legal action against the firm nor removed the illegal construction.

PL ON HSD TO GO UP BY RS5/LITRE

ISLAMABAD: The federal government is most likely to increase the petroleum levy (PL) on high-speed diesel (HSD) by Rs5 per litre to meet one of the conditions of the International Monetary Fund (IMF) with effect from March 16, 2023, in the fortnightly review of petroleum products.

Based on PL @Rs50 per litre and no general sales tax (GST), the price of petrol would likely be increased by Rs4 per litre from Rs267 to Rs271 per litre and the HSD would go up by Rs5 per litre, from Rs280 to Rs285 per litre. Currently, the government is charging Rs50 per litre on petrol and Rs45 per litre on HSD and no GST is charged.

The Pakistan State Oil (PSO) is asked for exchange rate adjustment of Rs5 per litre on petrol and Rs11 on HSD with effect from March 16-31. The US dollar against Pakistan rupee went up by Rs15.97 in the last 15 days from Rs262.14 to Rs278.11. The price of kerosene oil (KERO) may also be raised by Rs11 per litre from Rs187.73 to Rs199.47 and light diesel oil (LDO) by Rs2.28 per litre from Rs262.14 to Rs278.11 per litre.

NA BODY APPROVES PAKISTAN CITIZENSHIP (AMENDMENT) BILL, 2022

ISLAMABAD: The National Assembly Standing Committee on Interior on Tuesday passed, "The Pakistan Citizenship (Amendment) Bill, 2022", which will allow the Pakistani diaspora to resume their Pakistani citizenship.

The committee meeting which was presided over by MNA Ahmad Hussain Deharr passed the bill. According to the statement of object and reason, a large number of Pakistani diaspora are complaining that they had to renounce their Pakistani citizenship as a condition for acquiring citizenship of a foreign country of residence or stay. Whenever such countries are entering into dual nationality arrangements with the government of Pakistan, there is no provision within the Pakistan Citizenship Act, 1951 which allows the resumption of Pakistan citizenship.

Therefore, amendments have been proposed in section 14-A of the said Act which will allow the Pakistani diaspora to resume their Pakistani citizenship, it says.

The parliamentary body discussed the Islamabad Capital Territory Local Government Bill, 2022, and the Naturalization (Amendment) Bill, 2022 in detail and deferred it for further discussion.

The committee also discussed the calling attention notice, regarding the sale and lease of commercial buildings for residential purposes without a completion certificate in Islamabad, and deferred the matter for further deliberations.

The committee issued the directions to frame the Capital Development Authority (CDA) regulations and regulatory framework within 30 days.

The parliamentary body discussed the leakage of rainwater from the roofs and walls of the parliament lodges. The committee directed the concerned authorities to inquire into the matter and resolve the same. The committee expressed displeasure for not issuing funds by the Ministry of Finance, for the matter. MNAs Syed Agha Rafiullah, Usama Qadri, Asiya Azeem and senior officials of the Ministry of Interior attended the meeting.

CENSUS MONITORING DASHBOARDS: PBS ASKS NADRA TO GIVE PROVINCES ACCESS

ISLAMABAD: The Pakistan Bureau of Statistics (PBS) has asked the National Database and Registration Authority (Nadra) to provide access to census monitoring dashboards to provincial governments to alleviate doubts. Census field operations are the responsibility of provinces and the onus for providing the required information to them now lies with the Nadra.

The chief statistician of the PBS in a letter written to the chairman Nadra stated that in pursuance of the decisions of the 8th meeting of the census monitoring committee held on 11th March 2023, under the chairmanship of minister PD&SI. According to the PBS letter, it has been decided that the statistics as required by the provincial governments, especially Sindh may be included in the monitoring dashboard which has already been deployed for chief secretaries. Further, role-based access of the same may be provided to all provincial/regional chief secretaries, commissioners, deputy commissioners, and assistant commissioners.