‘IMF WANTS EXTERNAL FINANCING PLEDGES FIRST’

ISLAMABAD: The International Monetary Fund (IMF) wants external financing commitments fulfilled from friendly countries before it releases bailout funds, Pakistan’s Prime Minister Shehbaz Sharif said on Tuesday. The lender has been negotiating with Islamabad since early February to resume $1.1 billion in funding held since November last year.

The IMF funding is critical for Pakistan to unlock other external financing avenues to avert a default on its obligations. Its diminished central bank reserves barely cover four weeks of imports. “Now we are being told that the commitments from friendly countries be fulfilled and God willing we will,” Sharif told parliament in a live telecast speech.

An IMF statement said substantial progress had been made in discussions towards policies in recent days and financial assurances were standard in IMF programmes. “All IMF programme reviews require firm and credible assurances that there is sufficient financing to ensure that the borrowing member’s balance of payments is fully financed in the next 12 months, with good prospects for financing over the remainder of the program. Pakistan is no exception,” the statement to Reuters said.

Several friendly countries including Saudi Arabia, China and the UAE, have made commitments to help Pakistan fund its balance of payments.

An agreement would be signed once a few remaining points, including a proposed fuel pricing scheme, are settled, an IMF official said on Friday. Earlier, Sharif had announced the government’s plan to charge affluent consumers more for fuel in order to subsidise prices for the poor, who have been hard-hit by inflation. In February it was the highest in 50 years.

The IMF’s resident representative in Pakistan, Esther Perez Ruiz, said the government had not consulted the fund about the scheme. The lender wants Islamabad to explain the fuel scheme before any loan deal. “Fund staff are seeking greater details on the fuel subsidy scheme in terms of its operation, cost, targeting, protections against fraud and abuse, and offsetting measures, and will carefully discuss these elements with the authorities,” the IMF said.

The IMF signalled it preferred boosting social support through the country’s large government poverty alleviation Ehsaas Kafalat program. “As a general matter, the IMF sees strengthening support to those eligible for social assistance through the unconditional Kafalat cash transfer scheme as the most direct way to help the neediest in Pakistan,” the statement said.

Dawn 29-3-2023

CHINA-LED AIIB TO SUPPORT PAKISTAN AND OTHER MOST VULNERABLE COUNTRIES

“While liquidity continues to tighten, we need to help those countries that are insolvent. The Asian Infrastructure Investment Bank (AIIB) stands ready to support the world’s most vulnerable countries, and we have increased our multilateral assistance to countries including Pakistan. In addition, we are considering post-earthquake support for Turkey,” said AIIB President Jin Liqun, according to a report published by China Economic Net (CEN) on Tuesday. During the China Development Forum 2023, Jin said that the international community is confronted with multiple risks and challenges. Prolonged high inflation, tight Labour markets and spillover effects from high commodity prices are likely to keep central banks tightening monetary policy all over the world. “At the same time, supportive policies during the pandemic have led to higher government debt, with bond yields rising and bond prices falling globally,” said Jin.

Risks to financial stability have increased. At a time of higher debt levels, the situation may be even more troubling for some developing countries and low-income countries with high levels of debt, said Jin, adding that risks also exist in the banking sector in some advanced economies. For those developing countries, higher uncertainty means a change in investors’ risk tolerance. Jin believes that amid such pessimism, more investment is needed, especially in infrastructure.

The development bank will continue to firmly support developing economies in building the conditions for long-term economic growth, Jin said. At present, we need to reform the governance system so that developing countries can get more involved and reach more consensus under the multilateral framework, Jin added.

Touching on the Chinese economy, Jin and some other participants expressed their optimism, saying that its 5% GDP growth target will be achieved in a quality manner and China will a role of stabilizer for the world economy in the face of downward pressures and uncertainties. Moreover, the huge potential and sound development of the Chinese economy will provide broad cooperation space and development opportunities for domestic and foreign investors, Jin said.

Times 29-3-2023

JULY 1-MARCH 11: RS2.6TRN BORROWED FOR BUDGETARY SUPPORT

KARACHI: The cash-strapped federal government borrowed over Rs2.6 trillion from the banking system for budgetary support during this fiscal year (FY23).

According to the State Bank of Pakistan (SBP), the federal government borrowing for budgetary support increased by 259 percent to cover the fiscal deficit. The federal government has borrowed Rs 2.6 trillion from the banking system including the SBP and commercial banks between July 1, 2022 and March 11, 2023 against Rs 723.2 billion in the same period of last fiscal year (FY22), depicting an increase of Rs 1.88 trillion.

Analysts said that rising funding requirements compelled the government to borrow more from the domestic banking system to finance the fiscal deficit as the external inflows are delayed. Although the government is making efforts for the release of the pledged foreign inflows, however, still there is slow progress, of which the federal government is massively raising funds from the domestic banking system.

The detailed analysis revealed that during the period under review most of the amount was borrowed from banks. The federal government borrowing for budgetary support from the scheduled banks rose by 253 percent or Rs 1.437 trillion reaching Rs 2.006 trillion in March 2023 up from Rs 568.23 billion in June 2022.

The federal government borrowing for budgetary support from the SBP also moved up by 285 percent or Rs 442.4 billion to Rs 597.43 billion during July 1 2022 to March 11, 2023 compared to Rs 155 billion in the corresponding period of last fiscal year. As against the federal government, provincial governments returned a significant amount to the SBP and scheduled banks. During the period under review, Balochistan government retired Rs 29.651 billion, Khyber Pakhtunkhwa Rs 19.699 billion, Punjab government Rs 191.261 billion and Sindh repaid Rs 5 billion to the SBP.

Cumulatively, the federal and provincial governments borrowed Rs 2.2 trillion during July 1, 2022 to March 11, 2023 for budgetary support from the domestic banking system compared to Rs 243.4 billion in the same period of last fiscal year. With the current surge, the overall stocks of borrowing for budgetary support reached the Rs 20.7 trillion in the second week of March up from Rs 18.528 trillion at the end of June 2022.

HIGH RISK THIRD COUNTRIES: EU COMMISSION REMOVES PAKISTAN FROM 'LIST'

KARACHI: The European Commission has removed Pakistan from the List of High Risk Third Countries, which have strategic deficiencies in their Anti Money Laundering/ Countering the Financing of Terrorism (AML/ CFT) regime, according to Trade Development Authority of Pakistan (TDAP). "The office of Economic Minister, Embassy of Pakistan, Brussels, Belgium have confirmed that European Commission has removed Pakistan from the List of High Risk Third Countries having strategic deficiencies in their AML/CFT regime," a TDAP official told *Business Recorder*. The official said that Pakistani businesses and individuals would no longer be subjected to Enhanced Customer Due Diligence by European legal and economic operators. "It's very good news for Pakistani exporters to the European Union."

REMITTANCES: APL SAYS CAN INVOKE FORCE MAJEURE

ISLAMABAD: M/s Atlas Power Limited (APL) has warned the government that it would announce force majeure under the Power Purchase Agreement (PPA) if its remittances related to imports are not allowed.

The company conveyed its cautionary message in a letter to Managing Director Private Power & Infrastructure Board, Shah Jahan Mirza. M/s APL wrote a letter to Managing Director PPIB on February 1, 2023 in which the former explained its precarious position developing due to restriction placed on imports by the Government/ SBP.

According to the letter, the company, in a meeting with MD PPIB explained its challenge with respect to keeping the plant functional and sought the latter's help in meeting obligations and responsibilities; however, things have only gone from bad to worse since then.

The power company raised the issue of non-payment by the banks to foreign suppliers against LCs and bank contract that were duly approved by SBP. These pending payments to foreign suppliers pertain to consignments some of which were cleared as far back as October last year. Payment was to be made to supplier on receipt of shipping documents in the bank which were delivered promptly.

The power company claims that out of Euro 1.8 million, only Euro 8,921 was paid on March 21, 2023 after a lapse of almost five months, adding that if regular daily payments of this quantum are assumed, then this pending amount would take over 200 working days to be fully paid as unfortunately the bank is not committing to settle the full amount and instead is committing to only the two smaller amount invoices by the end of current financial year. APL further informed PPIB that its OEM has stopped dispatch of all its orders already placed and ready for delivery till full settlement of the amount of $ 1.8 million.

Further, the OEM is also asking for financial cost and warehousing fee on parts lying ready for dispatch with them. The major overhaul of five engines is already due but the company is not able to perform it due to unavailability of spare parts. The OEM has advised APL not to operate these engines without performing the overhaul. “Since Ramadan and with the summer season is approaching, we expect to get regular dispatch instructions from NPCC but complying to these instructions would be highly risky without performing due maintenance.

Resultantly, we will be forced to suspend our operation soon. We once again request that liquidity damages and/or capacity deduction should not be levied on our plant as the circumstances are beyond our control,” said Razi-ur-Rahman, CEO, APL in his letter.

The consignments of Euro 5,725,491 duly approved by SBP have been held at supplier warehouse. Major overhauling of APL engines started last year but the process has been halted since last two months due to remittances issues. The plant’s engines have overshot the recommended running limit but are still being operated at risk.

KE CONSUMERS: GOVT FILES MOTION WITH NEPRA FOR RECOVERY OF TWO QTAS OF RS6/UNIT

ISLAMABAD: The federal government has filed a motion with the National Electric Power Regulatory Authority (Nepra) for recovery of two Quarterly Tariff Adjustments (QTAs) of Rs 6 per unit from the consumers of K-Electric.

Nepra is scheduled to hold a public hearing on April 3, 2023 to approve request of Power Division which has already been approved by the Economic Coordination Committee (ECC) of the Cabinet.

Of Rs 6 per unit proposed positive adjustment in QTA, Rs 4.45 per unit will be for first quarter of 2022-23 whereas Rs 1.55 per unit will be on account of fourth quarter of 2021-22.

According to federal government’s motion, the Nepra determined the Multi Year Tariff on July 05, 2018, for K-Electric Limited duly notified by the federal government on May 22, 2019.

Subsequently, various quarterly tariff adjustments for KE were determined by the Authority. The last quarterly adjustment was notified by federal government through SRO 1037(l)/2020 as amended from time to time, to maintain uniform tariff in the country.

The Authority has determined periodic adjustment in tariff for the 1st quarter of FY 2022-23 for Discos and continued the application of periodic adjustment as determined for 4th Quarter of FY 202 1-22 for two months which was notified on February7, 2023.

Power Division argues that in accordance with the National Electricity Policy, 2021, the government may maintain a uniform consumer-end tariff for K-Electric and state-owned distribution companies (even after privatisation) through incorporation of direct/indirect subsidies.

Accordingly, the KE applicable uniform variable charge is also required to be modified so as to recover the revenue requirements of the KE, determined by the Authority, consistent with the uniform national tariff of Discos. This was approved by the federal government and it was decided that it should be submitted to the Authority for consideration in terms of the provisions of the Act.

After explaining the background, Power Division said that motion is being filed by the federal government with respect to consumer end tariff recommendations of the KE, under section 7, 31 (4) and 31 (7) of the Act read with Rule 17 of the Rules so as to reconsider and issue for KE a modified uniform variable charge to maintain uniform tariff across the country, and to recover the revenue requirements of the KE determined by the Authority keeping in view the proposed targeted subsidy and cross subsidies.

The Authority has been requested to issue separate Schedule of Tariff (SoT) with prospective application of applicable uniform rates after incorporating tariff rationalisation. Such adjustment shall be applicable on the consumption of February 2023 and March 2023 to be recovered from consumers in April 2023 and May 2023, respectively.

For application of rates charged from Discos consumers for the second quarter of FY 2021-22, in notification of July 7, 2022 to be allowed to be recovered from consumers of KE is based on consumption of July, August and September 2022 in the billing months of April, May and June 2023.

SECP ISSUES SRO 390 ON DIGITAL LENDING APPS

ISLAMABAD: The Securities and Exchange Commission of Pakistan (SECP) has empowered the commissioner, Specialized Companies Division to grant approval to a digital lender for the launch of an App or any other digital channel for lending.

In this connection, the SECP issued SRO 390 (I)/2023, here on Tuesday. Under the requirements for the digital lending Apps, prior to the launch of an App or any other digital channel for lending, the digital lender shall seek approval of the commission and submit a corticated from the Pakistan Telecommunication Authority (PTA) approved by the Cyber Security Audit Firm regarding compliance with the requirements of the SECP.

The SECP's SRO 390(I)/2023 stated that in exercise of powers conferred by section 10 of the SECP Act, 1997, the commission, hereby, delegates the powers and functions of the Commission to the Commissioner, Specialized Companies Division for granting approval to a digital lender for the launch of an App or any other digital channel for lending. The commission shall have the authority to exercise all powers delegated to the commissioner concurrently, the SECP's notification added.

The SECP will issue licenses to only those digital lending companies which will obtain "compliance certificates" from the PTA's approved cyber security audit firms. The commission has made it mandatory for digital lending companies to take the commission's prior approval for launching Digital Lending Platforms/Apps after obtaining the said "compliance certificate". The lenders will be allowed to operate only one App at a particular time and the list of Digital Lending Apps of NBFCs shall be placed on SECP's website.

R 29-3-2023

SECP ASKED TO REVERSE 'HOSTILE TAKEOVER' OF ECOPACK

KARACHI: Minority shareholders of Ecopack Ltd — a listed company that makes plastic bottles for beverage firms — have sought the intervention of the Securities and Exchange Commission of Pakistan (SECP) to protect the entity from hostile and allegedly illegal takeover by a group of seven investors.

The seven acquirers "acted in concert" to accumulate over 50 per cent shareholding within a few months without making any regulatory disclosures or tender offer to small investors, according to the minority shareholders.

The hostile takeover attempt culminated on Oct 28, 2022 when four individuals gained control of the company by getting elected to the board of directors. As a result, Kamran Nasir, who served as CEO of JS Global Capital Ltd until September 2022, became chairman of Ecopack Ltd.

The pattern of shareholding shows that the group of seven investors collectively held just 1.28pc shares in the company until February 28, 2022. But their shareholding increased to 36.9pc within the next one month. They kept on accumulating shares from the stock market and crossed the 50pc threshold by June 30, 2022.

Importantly, none of the seven acquirers crossed the individual limit of 10pc shares to avoid mandatory reporting, which would've red-flagged the accumulation of shareholding. What blew the lid off the takeover attempt were a number of "off-market transactions" carried out at the same rate of Rs18 per share on March 21, 2022. Commonly known as the Negotiated Deals Market (NDM), the trading counter helps brokers conduct transactions among themselves outside the trading system of the Pakistan Stock Exchange (PSX).

Data from the PSX website shows three NDM transactions involving 13.7 million shares, constituting 32.69pc of the total shareholding, took place on the same day and at the same rate among brokers.

The NDM transactions should trigger the takeover laws as the cumulative shareholding bought by two individuals and two companies on March 21, 2022 was well above the threshold of 30pc prescribed in Section 111 of the Securities Act 2015.

In a subsequent letter to the SECP's Supervision Department, two small shareholders of the company demanded the apex regulator should look into the Unique Identification Number (UNI) data through its surveillance system to confirm the "connivance" of the small group of acquirers that, they believe, have a "direct relationship" with a prominent brokerage house.

"The acquirers acquired shares within a short span of three months and got their four directors elected on the board of (the) target company by issuing proxies in their favour. The intermingling of proxies shows clear collusion to act in concert and hence to take control of the company," they said. Speaking to Dawn, Ecopack Ltd Chairman Mr Nasir denied any wrongdoing in the whole affair and added that his shareholding in the company was limited to only 500 shares.

Responding to a question as to how he ended up as chairman despite owning a negligible number of shares, Mr Nasir said the question should be put to those who elected him to the board of directors. "I cannot speak on behalf of anyone else against whom any allegation is made or is a person who is (making) any allegations," he said.

Ecopack Ltd CEO Hussain Jamil, who's also the largest shareholder of the company, went to court against Mr Nasir and others in December and obtained a stay order against the attempt to remove him from the position of CEO.

In response to a query, the SECP said the matter is "already under consideration of the commission" and that further action will be taken in accordance with the law. The PSX spokesperson didn't respond to the request for comment until the filing of this report.

https://www.dawn.com/news/1744743/secp-asked-to-reverse-hostile-takeover-of-ecopack

Dawn 29-3-2023

PUNJAB SMALL INDUSTRIAL ESTATE POLICY APPROVED

LAHORE: Caretaker provincial minister for industry, trade, and energy SM Tanveer presided over the 122nd meeting of the Punjab Small Industries Corporation's board of directors here Tuesday.

The meeting approved some administrative, and financial matters and Punjab Small Industrial Estate Policy, 2023. According to the policy, the allotment transfer fee was reduced from 3 percent to 1.5 percent. Similarly, the down payment for booking a plot in a small industrial estate was reduced from 60 percent to 40 percent. Under the policy, several measures have been suggested to speed up the colonisation of the industrial estates. The huddle also approved the consultancy contract of IDAP for the under-construction PSIC House project. In-principle approval was given to set up a facilitation and training centre of SMEDA at the small industrial estate and it would be approached to provide a plan for the proposed facilitation and training centre.

The minister directed that the pension policy of the finance department should be fully implemented. The colonisation of industrial estates is necessary for promoting economic and business activities, he added and maintained that the purpose of giving subsidised plots was to set up factories and create employment opportunities. Every step will be taken to speed up process of colonisation, he said.

TN 29-3-2023

REMDESIVIR 100MG PRICE: MINISTRY DIRECTED NOT TO FURTHER LIAISE WITH HC IN BD

ISLAMABAD: The government has directed Ministry of National Health Services, Regulations and Coordination not to further liaise with Pakistan High Commission in Bangladesh as price of Remdesivir quoted by the latter is higher than in Pakistan.

On March 27, the Ministry of National Health Services, Regulations and Coordination informed the ECC that section 12 of the Drug Act, 1976 and section 7 of the Drug Regulatory Authority of Pakistan (DRAP) Act, 2012 empower the federal government to fix maximum retail prices (MRPs) of drugs to be sold in the market.

The MRP of Remdesivir 100 mg injection was fixed with the approval of federal cabinet from time to time, in pursuance of consultation with the Commercial Secretary, Pakistan High Commission, Dhaka and the last price was fixed by reducing it to Rs 1892 per vial.

Ministry of National Health Services, Regulations and Coordination further noted that on September 27, 2022, Deputy High Commissioner, Pakistan High Commission Dhaka, had stated that Beximo Pharmaceutical Bangladesh quoted the revised price of Remdesivir 100 mg injection at $ 10.5 CIF Karachi per vial.

The MRP of Remdesivir 100 mg injection in Bangladesh was Rs 2411 per vial which was higher than the existing MRP in Pakistan at Rs 1892 per vial.

The Policy Board in its 44th meeting held on December 8, 2022 considered the matter and made the following recommendations: (i) MRP of Remdesivir 100 mg injection shall remain fixed as per existing MRP at Rs 1892 per vial may not be increased; (ii) further liaison with Bangladesh High Commission may not be continued as the price intimated by the Pakistan High Commission in Bangladesh is now higher than MRP of Remdesivir in Pakistan; and (iii) Remdesivir 100 mg injection price will be monitored/dealt as per Drug Pricing Policy 2018 in future. The decision of ECC will be ratified by the federal cabinet in its forthcoming meeting.

SENATE BODY DIRECTS EOBI TO FURNISH REPORT IN RESPONSE TO ALLEGATIONS AGAINST IT

ISLAMABAD: The Senate Standing Committee on Overseas Pakistanis and Human Resource Development directed the Employees Old Age Benefits Institution (EOBI) to provide a detailed report against the allegations of giving favour to different insurance companies and disbursing pensions to employees who were taking pensions from their respective provinces.

The meeting of the Senate Standing Committee on Overseas Pakistanis and Human Resource Development was held here on Tuesday with Senator Anwarul Haq Kakar in the chair. While discussing the role of the EOBI, the chairman committee expressed displeasure over the absence of the chairperson of the EOBI.

However, Senator Shahadat Awan stated that there is an allegation that the EOBI has disbursed pensions to employees who were taking pensions from their respective provinces and the EOBI have changed their members of the Board of Trustees so many times that it has raised suspicion and the EOBI has refused to provide minutes of meetings despite several demands.

Moreover, he maintained that the EOBI has given favours to different insurance companies enlisted with the former and above all, EOBI has not provided the recovery status on 18 cases, registered against the 187 plots owned by the Ministry of Overseas Pakistanis and Resource Development. The chairman committee directed the EOBI to provide a detailed report against all the allegations in the next two weeks.

The Senate committee was briefed about the functions, roles, priorities, and future plans of the ministry and its attached departments. Shabnam Amir Khan, Joint Secretary for MOPHRD, apprised the committee that the Ministry for Overseas Pakistanis was created as an independent ministry in 2008, however, it was merged with Human Resource Development in 2013 and currently, there are four autonomous bodies working under the ministry which includes the EOBI, Overseas Pakistani Foundation (OPF), Overseas Employment Corporation (OEC) and Workers Welfare Fund (WWF). She added that the primary function of the ministry is to ensure the well-being of overseas Pakistanis and by keeping in view this goal, the ministry initiate policies aimed to streamline the problems confronted by overseas Pakistanis and their dependents and besides the ministry also motivate the overseas citizens to strengthen their links with the mother country. As of now, there are 48 officers and 198 officials working in the ministry and around 67 posts are vacant against the total 313 sanctioned posts, she informed.

Moreover, the committee was briefed about the working of the OPF. Dr Amer Sheikh, MD OPF, informed the committee that the major function of the foundation is to ensure the social welfare of emigrants and their families in Pakistan and abroad and to achieve this milestone, OPF has established housing societies, educational institutions and also offered scholarships for offspring of overseas Pakistanis in field of science, technology and art. In addition to that, OPF has established a complaint cell for the timely resolution of problems of overseas Pakistanis and as of now, 28,526 complaints have been resolved against the 33,982 registered complaints. He added that the OPF is aiming to establish dedicated fast track courts in all provinces of Pakistan for the protection of properties and quick redressal of properties disputes of overseas Pakistanis. Senator Anwarul Haq Kakar commended the initiative and uttered it as “step in the right direction.”

Besides, a comprehensive plan is needed to redress the problems confronted by overseas Pakistanis at airports, he commented.

Furthermore, the committee was briefed by OEC regarding their efforts for securing employment for Pakistanis abroad. Naseer Khan Kashani, MD OEC, informed that OEC helps skilled and unskilled labour in getting employment in different countries and due to continuous efforts, OEC has succeeded in increasing the number of immigrations per year for skilled and unskilled workers. The chairman committee applauded the efforts of the OEC and suggested that efforts should also be made for skilled immigrants to train them in new technology.

The meeting was attended by Senator Manzoor Ahmed, Senator Asad Ali Khan Junejo, Senator Prince Ahmed Umer Ahmedzai, Senator Rana Mahmoodul Hassan, Federal Minister for Climate Change Senator Sherry Rehman, State Minister for Law and Justice Senator Shahadat Awan, Federal Minister for Overseas Pakistani and Resource Development Sajid Hussain Turi, Joint Secretary for MOPHRD Shabnam Amir Khan, Managing Director OPF Dr Amer Shiekh, Managing Director OEC Naseer Khan Kashani, and other senior officers of relevant departments were also in attendance.

A HAWALA TSUNAMI

A couple of months back, when the SBP Governor visited the FPCCI office in Karachi, the traders and industrialists attempted to hand him the keys to their offices and factories. Right after that, SBP announced a deferred payment or self-funded scheme in which importers were allowed to import on a deferred payment basis, preferably from sister concerns of importers, beyond 365 days from the shipment date.

The SME industry sources are sensing that this scheme is gaining traction fast, and the hawala demand may soon go through the roof. However, this provision (or facilitation) can be misused by scrupulous elements to import non-essential items.

Seeing the volatility of PKR amid economic and political instability, it is virtually impossible for any genuine supplier to allow a 365-day payment deferral to an importer in Pakistan. Therefore, what is happening on the ground is that commercial importers and manufacturers in Pakistan are making arrangements in Dubai, either by setting up their own company in Dubai or by using a 3rd party, to establish a 365-day deferred payment bank contract with their importing company in Pakistan.

And the modus operandi is to have 100 percent payment to the original foreign supplier by the Pakistani importer through the Hawala channel. However, the import documentation is done with Dubai's self-owned or 3rd party dummy exporter. The goods are then imported and sold inside Pakistan. The local importer records it as a 365-day credit purchase from their Dubai supplier (self-owned company). Payment will be sent at the official exchange rate through the SBP after 365 days.

The consequences of the above practice are dire. One is that despite the government's best efforts, the Hawala rate in the market continues to increase unchecked due to demand for these illicit import payments. With the increased demand for Hawala transactions, the Hundi rates also rise. Hence, overseas Pakistani use Hundi instead of banking channels to send remittances to Pakistan, resulting in a drop in foreign remittances and impacting the current account deficit. Already the remittances from the official channels are down by 11% in 8MFY23.

Since the organized sector cannot import these non-essential items or their raw materials, there is a shortage in the market. The scrupulous elements are and will keep misusing the 365-day deferred payment scheme to make excessive profits in this shortage economy. In this fashion, the unorganized and undocumented sector flourishes. At the same time, organized industry, a provider of employment, suffers and would have no option but to lay off its workforce, leading to growing unemployment.

Interestingly, many USD payments against these deferred imports will be required after 365 days. The economy may destabilize when these contracts are settled upon maturity. Or these would lapse without any payment.

One example is that of the mobile phones. Here banks are not allowed by SBP to open LCs for CKD imports by local manufacturers since Dec 27, 2022. Some manufacturers are closed due to a shortage of materials. The workers and engineers have been laid off. Most Chinese staff has gone back or is preparing to return to China. The implication is a significant shortage of phones. And now CBU imports have started. Banks are opening contracts for importing CBU mobile phones under 365 days deferred payment facility, which is nothing but 100 percent hawala business. This is happening across several sectors - a usual phenomenon of Dar strategy where traders are supported, and parallel channels of financial flows spur while killing industrial players.

The only sectors that may have escaped this disaster are those indulged in exports, pharmaceuticals, or those using local raw materials such as cement, fertilizer, and agricultural processing units. On the other hand, the sectors suffering the most include automobiles and auto parts vendors, mobile phone manufacturers, home appliances, chemicals, steel and building materials, etc.

The auto industry alone claims to employ 2 million Pakistanis to produce cars, motorcycles, tractors, trucks, and buses. Similarly, the mobile phone industry has created 40,000 direct and indirect jobs due to investment by renowned global brands.

It's hard to estimate the exact figure of hawala demand due to this scheme. But it would run into hundreds of millions of dollars per month. All of this will jack up the hawala rate diverting inflows from the official to the hundi channel and killing the industry.

It is recommended to withdraw that 365-day deferred payment as it is causing harm by encouraging the black economy, impacting the inflow of remittances, and causing job losses in the organized sector. If the government wishes to continue the scheme to facilitate genuine importers, it may be restricted only to importing essential items as prescribed by the SBP from time to time. Import of non-essential items may not be allowed under the 365-day deferred scheme. Then a non-remunerative statutory margin of 50 percent may be applied for 365-day deferred payment imports.

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CHINA COMPLETES FIRST YUAN-SETTLED LNG TRADE

BEIJING: Chinese national oil company CNOOC and France's TotalEnergies have completed China's first yuan-settled LNG trade through the Shanghai Petroleum and Natural Gas Exchange, the exchange said on Tuesday.

Approximately 65,000 tonnes of LNG imported from the UAE changed hands in the trade, it said in a statement. TotalEnergies confirmed to Reuters that the transaction involved LNG imported from the UAE but did not comment further.

CNOOC did not immediately respond to a request for comment.

China has placed an emphasis on settling oil and gas trades in yuan in recent years in a bid to establish its currency internationally and to weaken the dollar's grip on world trade.

Russia has increasingly embraced the yuan amid Western sanctions. During a visit to the Saudi capital Riyadh in December President Xi Jinping announced that China would "make full use" of the Shanghai exchange as a platform to carry out yuan settlements of oil and gas trades.

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