UAE, SAUDI ARABIA: DAR SAYS IMF SEEKING $3BN 'GUARANTEES'

ISLAMABAD: Ishaq Dar on Thursday said that Pakistan didn't delay a single day in repayments. "We didn't defer a day in repayments," the finance minister said while speaking on the floor of the Senate. "All technical discussions have been completed, an agreement nearing with the International Monetary Fund (IMF)," he said.

"The IMF is demanding, what was committed during the fifth and sixth review of the bailout," Dar said. "The lender wants guarantees of three billion dollars from the UAE and Saudi Arabia," the finance minister told the Senate. Ishaq Dar said that the foreign exchange reserves are improving. "We are trying to take the reserves to 13 billion dollars level by June," he said.

"State Bank's monetary policy has been free without any intervention from the government," he said. "We have ourselves amended the state bank law. I was personally against these amendments in the law," he added. "By amending the law, State Bank has been made a state within state," finance minister said. "I had opposed most of these amendments". The Ministry of Finance has now become powerless," he further said.

"The economy has worsened from 2018 to 2023. In my five months all payments have been made, and currency reserves have reached 10 billion dollars," he said. "The economy was destroyed during the PTI tenure," he alleged. "We were going to become 24th largest economy of the world in 2018, now we are at 47th number," he said. He also suggested for concluding a charter of economy.

VARIOUS PROGRAMMES TO COUNTER EMERGENCIES - NO POLICY OR FRAMEWORK DEVELOPED TO SUPPORT 'ASP': WB

ISLAMABAD: The federal and provincial governments in Pakistan have designed and launched various programs in response to a variety of emergencies, however, no policy or framework has been developed to support adaptive social protection (ASP), says the World Bank.

The bank in its report "Responsive by Design: Building Adaptive Social Protection Systems in South Asia", stated in Pakistan, there are no formal emergency finance mobilisation mechanisms to facilitate ASP.

A formal emergency finance mobilization strategy should be developed within the overall DRF strategy framework, which clearly delineates budgetary instruments, and access to emergency funds at both the provincial and federal levels (the Ehsaas Program). Moreover, while programs, such as the Benazir Income Support Program, have been able to mobilize funds quickly in the aftermath of crisis, there are no formal mechanisms for the mobilization of emergency funds. In ex-post-emergency response, social protection programs have relied primarily on the reallocation of funds rather than funds earmarked for emergency situations.

Pakistan has emerging programs and delivery systems. Several emergency response social protection approaches have been adopted over the years to respond to various shocks, however, payment systems are emerging, given that most payments are digitally executed, but there are short delays in expanding coverage and benefit amounts.

Data and information systems are rated emerging and have room for growth in terms of the functionality, vulnerability, and risk assessment of early warning systems and the more frequent updating of the social registry. The financing aspect is nascent given the absence of formal mechanisms for the mobilization of emergency funds. Ex-post emergency response social protection programs have relied primarily on a reallocation of funds rather than the earmarking of funds specifically for emergencies, it added.

Institutions and partnerships need to be improved mainly because of the outdated response plans and the inadequacy of contingency plans. Ad hoc links and weak coordination across social protection agencies and disaster risk management (DRM) counterparts have also been highlighted by the stress test.

In Pakistan, existing data-sharing platforms and protocols could be improved to enhance the synergies among provincial and federal initiatives and avoid the duplication of efforts.

Following floods in 2010, the federal government developed a national Federal Disaster Response Action Plan in consultation with provincial authorities to outline how cash transfers could be applied to prepare for, mitigate, and respond in the aftermath of disasters. However, the plan has still not been operationalised or supported by legislation, and major gaps in institutional capacity persist. Although participation in the social protection sector is still undertaken in an ad hoc manner, the government makes regular use of social protection programs and systems, such as the Ehsaas Kafaalat unconditional cash pillar of the Ehsaas Program.

The formalization of social protection's role in DRM is only nascent in these countries, except in Bangladesh, in which, however, the main social protection ministries are excluded from the disaster response coordination committees.

In the case of India and Pakistan, de facto functional linkages exist, are continuously used, leverage existing policies, and piggyback delivery systems (for example, the use of direct benefit transfer system in India or the national socio-economic registry in Pakistan). In both cases, the cumulative set of experiences can become an enabling factor in formalization.

During the COVID-19 pandemic, the government of Pakistan was able to reallocate approximately Rs 203 billion (US$1.23 billion) to support the provision of much-needed social support. However, while funds for programs, such as the Benazir Income Support Program, have been mobilized quickly in the aftermath of crisis, there are no formal mechanisms for the mobilization of emergency funds. Ex-post emergency response social protection programs have relied primarily on reallocations of funds rather than separate funds set aside for emergencies.

The social protection scheme in Pakistan has an embedded nonparametric scale-up mechanism, and this could be augmented by the introduction of a trigger that can activate and disburse funds shortly after the onset of a disaster. The experience of the Ehsaas COVID-19 Emergency Cash pillar of the Ehsaas Program and international best practice in designing and scaling up pre-established shock-responsive social protection schemes can be fruitful. To respond to the consequences of the COVID-19 outbreak, the government of Pakistan allocated PRs 203 billion ($1.23 billion) through the Ehsaas Program to deliver emergency cash assistance to 16.9 million families (over 100 million people) at risk of extreme poverty, representing the most extensive social protection intervention in the history of the country. This exercise demonstrates the power of scaling-up social protection following disasters and shocks.

AIRPORTS' OUTSOURCING: ECC APPROVES DRAFT TASA FOR HIRING IFC AS TA

ISLAMABAD: The Economic Coordination Committee (ECC) of the Cabinet has approved the draft Transaction Advisory Agreement (TASA) for the hiring of the International Finance Corporation (IFC) as transaction adviser (TA) for outsourcing the three airports – Islamabad, Karachi, and Lahore. The meeting of the ECC presided over by Finance Minister Ishaq Dar was submitted a summary by the Ministry of Aviation, on Thursday, in this regard.

The meeting was informed that outsourcing of three airports has been initiated within the scope of Public-Private Partnership Act-2017 to engage private investor, airport operator through a competitive and transparent process to run the airports, develop appertaining land assets and enhance avenues for commercial activities and to garner full revenue potential.

In this regard, the meeting was further informed that the International IFC, a part of the World Bank Group, has been qualified as a transaction advisor. The ECC after discussion approved the draft TASA reached with the IFC by Pakistan Civil Aviation Authority (PCAA) for outsourcing of three airports. An official said that the Ministry of Aviation while giving details and so far process with regard hiring of transaction adviser for outsourcing of airports requested to the ECC that the PCAA Board approved the presented draft TASA subject to legal vetting by the Ministry of Law and Justice. At the same time, PCAA Board observed that since the TASA is based on a success fee model with penalties for failure to proceed with the transaction on the part of the client, there is a need for strong political commitment for the outsourcing of the operation of three target airports from our side.

The ministry added that in view of the past experience briefly mentioned in the summary, a clear demonstration of such a commitment will also be crucial not only for the completion of this process but more importantly, promoting a good competition and thus fetching the true monetary benefits from outsourcing of the airports. At the same time, it will also help in building confidence of the IFC as to our adherence to the terms and conditions of TASA and payment of their fee etc. in dollar terms. For these reasons, the PCAA Board directed that the draft TASA should be placed before the Economic Coordination Committee of the Cabinet for their information and concurrence.

The ECC also considered and approved Ministry of Energy (Petroleum Division)'s proposal and approved declaration of commerciality and field development plan over Hilal and Iqbal discoveries in favour of M/s Mari Petroleum Company Limited (MPCL).

The meeting also granted second two years' renewal over Kirthar exploration license block in favour of Polish Oil and Gas Company Limited (POGC), wef, 28-08-2022 as well as granted permission of extended well testing (EWT) over Ghazi-1 discovery to Mari Petroleum Company Limited (MPCL). Additionally, the ECC also approved; (i) Technical Supplementary grants for the current fiscal year of Rs607.6 million in favour of the Ministry of Energy (Power Division) for the execution of development schemes in Sindh province;(ii) Rs1,689.5 million in favour of the Ministry of Housing and Works for the execution of development schemes under SDGs Achievement Programme (SAP) in the KPK and Sindh provinces;(iii)Rs5,000 million in favour of the Ministry of Housing and Works for the execution of development schemes in erstwhile Fata.

The ECC deferred a summary submitted by the Ministry of Energy (Power Division) on the implementation agreement signed between the government of Pakistan and K-Electric (erstwhile KESC) on the pending issue of payment of duties and taxes.

PROBE INTO T-BILL BIDS: SENATE PANEL URGED TO DIRECT SBP TO ASSIST CCP

ISLAMABAD: The Competition Commission of Pakistan (CCP) Chairperson Rahat Kaunain Hassan has approached the Senate Standing Committee on Finance to direct the State Bank of Pakistan (SBP) to assist the CCP by providing data during an ongoing inquiry into treasury bills.

The CCP is suspecting cartelisation by primary dealers (PDs) including banks in the auctions of Market Treasury Bills (T-bills) carried out by the government of Pakistan.

In this connection, the CCP chairperson has formally requested Saleem Mandviwalla, chairman Senate Standing Committee on Finance to intervene and direct the SBP to assist the CCP for timely completion of the said inquiry. After repeated requests, the CCP is unable to get the requisite information from the SBP and requested the parliamentary panel to facilitate the CCP in the completion of the inquiry.

Last year, the CCP has initiated an inquiry into the suspected cartelisation by primary dealers (PDs) including banks in the auctions of Market Treasury Bills (T-bills) carried out by the government of Pakistan.

The CCP chairperson has informed the committee that the commission is doing a very critical inquiry on treasury bills. We have written 4-5 letters to the State Bank of Pakistan seeking data on the issue.

The CCP has repeatedly requested the SBP to assist in the inquiry and also provide the necessary information on the matter. The CCP want to take up the issue with the committee. Senate Standing committee on Finance should direct the SBP to cooperate with the CCP in the ongoing inquiry of treasury bills, she added.

The chairman of the committee, Mandviwalla, asked the CCP chairperson to give us details in writing and we will direct the SBP in this regard,

Last year, a preliminary probe was undertaken due to various concerns raised with respect to the significant rise in the yields for all tenures (three, six, and 12 months) of T-bills issued by the government in auctions. The scheduled banks, DFIs, investment banks, and listed brokerage houses are eligible to become PDs of government securities.

The State Bank of Pakistan (SBP) in its Monetary Policy Statement issued on December 14, 2021, also termed the rise in yields unwarranted. Concerns were also expressed that since the government could no longer borrow directly from the SBP, thus, it was reliant on commercial banks for meeting its funding requirements, which placed the commercial banks in a position to dictate terms.

A preliminary analysis shows that since MTBs are risk-free, their yields generally remain 25 to 50 basis points above the policy rate. However, from September to December 2021, the average difference between the policy rate and cut-off yield for 3-month MTBs rose to 114 basis points. The highest cut-off yields were witnessed in the auction on 15th December 2021.

The commission after reviewing the bidding data in its meeting formed an opinion that the common trend in the bidding pattern needs to be further probed as it raises suspicion of collusive bidding by PDs. From the initial examination of the bidding data, it was observed that there were instances where PDs have submitted similar/identical bids, and common bidding patterns were also followed by some of the PDs. Moreover, there was an indication of rotation among the PDs and the increase in rates quoted was also simultaneous. It was also noted that in most of the bids, the major chunk of the bid was won by or awarded to, one single bidder. The said factors required further scrutiny for any possible collusive bidding on part of the primary dealers and/or also required to enquire into the factors, if any, that may have contributed to the quoting/charging of higher rates than before. The above circumstances warranted the initiation of enquiry under Section 37(1) of the Act.

The commission has also required the SBP to appoint a focal person and to assist the enquiry officers and to help understand the processes in place to ensure free market operation in the bidding process. Bid rigging or any form of coordination during the bidding process by the parties is prohibited under Section 4(2)(e) of the Competition Act, 2010.

R 31-3-2023

BANKS MAY FACE HIGHER CREDIT COST UNDER IFRS-9

KARACHI: The method that banks use for calculating their expected credit cost will change under the revised set of accounting standards that may lead to a higher expense for commercial lenders in the medium term. Speaking to *Dawn* on Thursday, JS Global Capital Ltd Head of Research Amreen Soorani said banks will start reporting their loss expectations on investments and loans under the new accounting requirements of the International Financial Reporting Standards (IFRS)-9 from the first quarter of 2023.

In non-technical terms, the credit cost represents the increase or decrease in the stock of a bank's non-performing loans (NPLs) as a percentage of its loan book. For example, the credit cost of a bank would be two per cent (200 basis points) if NPLs increased from Rs10 to Rs12 on a yearly basis for total loans of Rs100.

Rising NPLs reduce a bank's interest income and lowers its profitability. "In our base-case estimates (for bank earnings), we've incorporated a higher credit cost this year," said Ms Soorani. Under the current accounting practices, a bank takes provisions on its bad loans. But the new accounting standards require every bank to come up with probabilities for its entire loan book.

"In the most likely case, banks' credit cost will go up. But nothing can be said for sure until we see the next quarterly accounts," she said. With the implementation of IFRS-9 from this year, banks will classify their loss expectations under different categories. They'll assign a probability to compute the expected credit loss (ECL) based on "forward-looking scenarios". Each bank will be required to build and use statistical models for the Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD) based on forward-looking assumptions. These models will also incorporate evolving economic factors.

In a recent research note issued to clients, Ms Soorani noted that banks may need to assess and assign ratings to sectors and obligors separately. They'll create three categories — to be called "Stages" — and classify loans from the least risky to the most risky. The existing NPL stock will directly fall under Stage-3. Its provisions will also be higher than others as per the ECL model. "We keep our credit cost estimates at 100 basis points annually for 2023 and 2024," she said, noting that the average credit cost of the last 15 years amounts to 110 basis points a year. The average drops to 48 basis points a year by excluding the tumultuous 2008-2010 phase that saw a sharp increase in NPLs owing to the financial crisis.

Even though the stock of NPLs increased in 2022, their share in the total loan portfolio decreased by 80 basis points year-on-year to 5.8pc. Ms Soorani said the overall economic situation is the chief reason for her expectation of a higher credit cost in the medium term. "Interest rates are high, growth in large-scale manufacturing is negative, ports are nearly closed and the rupee has sharply depreciated. All these factors have hurt cash flows of businesses, which are finding their debt-paying capacity impaired."

Dawn 31-3-2023

CONDITIONS SPECIFIED: PUNJAB GOVT WILLING TO TAKE OVER DISCOS

ISLAMABAD: The government of Punjab has expressed willingness to take over Punjab-based power Distribution Companies (Discos) subject to transfer of assets and not liabilities, along with management control. This was conveyed by Punjab Finance Departments and endorsed by Chief Secretary of the province on a summary of Punjab Energy Department.

Finance department, in its comments on the summary of Energy Department has reiterated its earlier viewpoint that a holistic approach may be adopted in review and prior due diligence.

The matter of provincialisation of Discos has been analysed in view of its potential impact on the limited fiscal space of the province. Significant factors like financial health of the Discos, legal framework, control over load management, etc, have been taken into consideration while evaluating the Discos located within the jurisdiction of Punjab.

The transfer of distribution function only to the province while leaving the transmission and generation with the federal government may further complicate the already complex power sector at the cost of expected improved recovery of bills only.

Details of examination are as follows: the transfer of Discos implies transfer of its assets, liabilities, accumulated losses, future investment requirements and the respective share of circular debt lodged in the books of Disco(s). The consolidated financial health of Discos in terms of losses and liability profile has the potential to become a significant burden on provincial exchequer.

Financial baggage of the Discos in terms of negative equity, transmission & distribution losses, liquidity issues due to circular debt and employees related retirement benefits may expose the provincial government to high fiscal risk.

Key financial indicators of the Punjab-based Discos (Lesco, Gepco, Mepco, Iesco& Fesco) for the FY2020-21 on consolidated basis are as follows: (a) equity/net worth(Rs 165 billion); (b) transmission and distribution losses (Rs 228 billion - 17 per cent of assets); (c) other receivables-subsidies (Rs 421 billion(29 per cent of assets; (d) trade payables –Rs 740 billion (51 per cent of assets; (e) long-term loans Rs 50 billion; and (f) staff retirement liabilities - Rs 401 billion (28 per cent of assets.

Punjab Finance Department maintained that the distribution infrastructure of Discos primarily comprises of 132kV transmission lines (15,736 kms), grid stations (588 Nos.), power transformers (1,461 Nos.), distribution transformers (6,091 82 Nos.), and 1 kV feeders (7,92I Nos.), serving a total customer base of 26 million consumers. The book value of total fixed assets was Rs. 569 billion end June 2021.

The annual capital expenditure of Discos during FY 2020-21 amounted toRs.34 billion. Given an annual growth rate of 6% in customer base in FY 2021-22 over the previous year and pending customer connections at the end of FY 2021-22, the annual CapEx requirements are expected to substantially increase in future.

Finance Department maintains that Federal Government has exclusive power to make laws with respect to electricity as mentioned in Federal Legislative List Part-II implying that Provincial Government will be bound to follow Federal Government's rules and regulations for managing the Discos which may not be a desirable solution for efficient management of DISCOs at provincial level.

Currently, Federal Government is the sole power purchaser through Central Power Purchasing Agency-Guaranteed (CPPA-G) and with country-wide distribution network (excluding K- Electric) managed through ten Discos.

The Federal Government notifies uniform national consumer tariff and determines subsidy accordingly. As per Article 157 (2) (d) of the Constitution of Pakistan, the Government of a Province may determine the tariff for distribution of electricity within the Province.

Therefore, Punjab Finance Department has suggested that provincialisation of Discos may be preceded by establishment of a provincial regulator for tariff determination and regulation of provincial Discos.

Currently provinces do not have any control over electricity load management. It would be a challenge for provincial Discos to meet growing electricity demand without any control over load management.

Therefore, it has been suggested that a minimum guaranteed supply of power should be committed by Federal Government for proposed provincial Discos. Also, provincial share of capacity payments to Power Generation Companies (Gencos) should be determined for incorporating in end-consumer tariff at provincial level.

Punjab Finance Department argued that the debate of Discos' provincialisation may become less important with the implementation of CTBCM-Competitive Trading Bilateral Contract Market (CTBCM) , required to be implemented under NEPRA Act, wherein a Disco becomes a wire-only business by way of taking electricity marketing and selling out from the scope of a Disco.

In view of the financial risk factors and legal constraints in operating Discos at provincial level, Finance Department is of the considered view that Provincial Government may give its consent for takeover of provincial Discos located within the jurisdiction of Punjab only to the extent of transfer of assets and not liabilities, along with management control subject to necessary due diligence on the part of Energy Department. Accordingly, at this stage only Chief Secretary Punjab has endorsed the proposal.

'NTDC BE STOPPED FROM SCRAPPING TENDER': CHINESE FIRM SEEKS SUPPORT OF ADB AND MINISTER

ISLAMABAD: A Chinese firm has sought support of the Asian Development Bank (ADB) and Minister for Power, Khurram Dastgir Khan to bar NTDC from scrapping a tender of 220kV double circuit transmission line for looping in/out in Sindh being funded by the ADB.

According to M/s China Energy Engineering Group Hunan Electric Power Design Institute Co, Ltd (CEEC HEPDI, as per information in the business circle, it has been recommended for contract award whereas bid evaluation report has also been shared with ADB.

However, some formations have recommended scrapping the tender and proposed re-tendering citing that there is a conflict of interest as both the bidders have “China Energy Engineering Group” in their name.

The company, in its letter to Minister for Power, Khurram Dastgir Khan and Managing Director NTDC, submitted that “conflict of interest” is discussed in sub-clause 4.3 of section-1 (ITB) of the bidding document which states “all bidders found to have a conflict of interest shall be disqualified… a bidder may be considered to be in a conflict of interest with one or more parties in this bidding process if (a) they have controlling shareholders in common; or (b) they receive or have received any direct or indirect subsidy from any of them; or (c) they have the same legal representative for purposes of the bid; or (d) they have a relationship with each other, directly or indirectly or through common third parties, that puts them in a position to have access to material information about or improperly influence the bid of another bidder or influence the decisions of the employer regarding this bidding process.

The company argued that it is established based on the detailed information on beneficial owner, Management & Board of Directors (BoD) of M/s CEECNEPC-II that the bidders do not have any controlling shareholders in common. Hence, this status in not applicable in this case.

The company maintains that it also established from the detailed financial statements and associated notes that none of the bidders have received any direct or indirect subsidy from each other. Hence, this statue is not applicable in this case. It is also established from the power of Attorney attached with both of the bids that the bidders do not have same legal representative for the purpose of this bid. Hence, this statue is not applicable in this case.

The company maintains that it is established from the complete working flow, the management of M/s CEEC CEPC-II is purely independent of external influence. The Executive Director is appointed by BoD of the company and both the Executive Director and the BoD members of both bidders are different & independent of each other and thus in no way can have access to any material information or influence any decision. Hence, this statue is not applicable in this case.

“This clearly establishes that both the participants - M/s CEEC NEPC-II and M/s CEEC HEPDI are completely independent of each other and do not have any financial or management relation with each other as the company comply with all the conditions laid down in the bidding documents and it does not come under the ambit of any conflict of interest,” so maintained the company.

Some formations have suggested to scrap the bidding process and to go into retendering process citing following reasons, which are completely baseless: (i) only one response bidder; (ii) price is 20 per cent higher than engineer’s estimate; and (iii) both bidders have conflict of interest.

The company further stated that two bids were received so competition was open and participation was appropriate. Also, the bid price of the selected bidder is higher than the engineer’s’ estimate due to current inflation and currency depreciation and this difference is very well justified and reasonable, adding that it is quite definite that in case of re-tendering, new prices will be much higher than this. During the last two years, whenever NTDC has scrapped any tender and entered into rebidding process, the new bids received are always at least 20 %-30 % higher than the previous bidding stages’ lowest bid which ultimately brought not only substantial monetary loss to NTDC but also delayed project completion timelines.

The company maintains that as per the provisions of the bidding documents, the bidders do not have any conflict of interest and there is no bar on them per the bidding documents which leads them to disqualification based on a common prefix of the name. The company has requested the ADB to look into the matter and direct NTDC to review their recommendations of scrapping the tender on the basis of “conflict of interest” and advise them to proceed further towards concluding the bidding process and to award the contract to M/s CEEC NEPC-II having the most advantageous bid of the bidding process.

The project envisages one circuit of Mirpur Khas - T.M Khan Road T/Line at Hala Road 220kV grid station (approximately 20 kms).

WITHDRAWAL OF EXPORT POWER SUBSIDY: TREASURY MPs COME DOWN HARD ON GOVT

ISLAMABAD: The treasury lawmakers in the National Assembly Thursday came down hard on the government for withdrawing export sector power subsidy under the conditionality of the International Monetary Fund (IMF) for the loan agreement. During question hour, the Parliamentary Secretary on Energy (Power Division) Rana Iradat Sharif Khan told the house that the government has withdrawn the subsidy tariff on the power of textile industries.

However, he said that the government would also consider for subsidy on tariff of electricity bill of flood-affected people. He said that the export sector subsidy of Rs19.99 per unit was withdrawn as per the condition of the IMF and it would be charged routine tariff imposed on other sectors. Its tariff would fluctuate as per the power production cost, he added. He said the Power Division's responsibility was to indicate the cost of power, whereas, the Finance Division was the one to fix subsidies and tariffs after calculation. Rana informed the house that the industrial and agricultural power subsidy was called off with effect from March 1.

However, he said the main subsidy was provided to lifeline consumers of below 200 units and was uniformly distributed among all distribution companies. MNA Sheikh Fayyazuddin raised the question about tariffs charged to the export sector namely, the textile industry. He said that due to the economic crunch, the textile industry was already facing a recession and expensive electricity would further deepen the burden of crisis for the sector. Maulana Abdul Akbar Chitrali of Jamaat-e-Islami (JI) said that the IMF was bickering on the fundamental decisions made by the government to assist its masses.

"The country could not be left on the IMF conditions but rather that the government must take action to control the exploitation of its masses. It is regretful, we are not able to even take decisions independently about subsidy. What is the procedure to escape from the trap of the IMF," he added. Muhammad Abubakr said that K-Electric was not increasing its power generation capacity despite a capacity buildup agreement signed with the federal government. He said that the industry in Karachi had halted due to power outages leading to unemployment in the metropolis serving as the backbone of the economy. He proposed that solar power generation systems should be installed in public offices, educational institutes, and others, operating in the daytime to save electricity. Nafeesa Shah demanded the parliamentary secretary pay attention to the crippled power infrastructure of Sindh's flood-hit districts that were not repaired so far. She added that in her constituency district, some 100 power transformers were stolen which left the area without electricity.

Federal Minister for Commerce Naveed Qamar said that the IMF had no objection to budgeted subsidies but rather imposed conditions on the rest. He also noted that the federal government was mulling over introducing wind power projects along with solar energy initiatives to make up for the energy shortfall of the country.

The house was also informed that the government is making all-out efforts to expedite the procedure for the conclusion of pending cases in various courts of the country. Responding to a question, the State Minister for Law and Justice, Shahadat Awan, informed the house that 51,744 cases were pending in the Supreme Court of Pakistan. He said that 179,425 cases are pending in the Lahore High Court, 85,781 cases in the Sindh High Court, 41,911 cases in the Peshawar High Court, 17,104 in the Islamabad High Court, and 4,471 cases in Balochistan High Court.

In his remarks, National Assembly Speaker Raja Pervaiz Ashraf expressed concerns over the massive pendency of cases, adding the parliament was ready if any guidance was required. To a question, the parliamentary secretary on communications, Shahida Akhtar Ali, informed the house that the work on several flood-damaged roads had been completed. She said the authorities concerned regularly visit the sites where work is underway.

The house passed two bills, "the Members of the Parliament Immunities and Privileges Act, 2023" and "the Pakistan Institute of Research and Registration of Quality Assurance Bill, 2022". According to "the Members of the Parliament Immunities and Privileges Act, 2023", "The Chairman, Speaker or Chairman of a Committee shall summon a Member of Parliament in custody on the charge of any offence or under any offence or under any law related to preventive detention to attend a sitting or sittings of the Senate, Assembly or meeting of a Committee of which he is a Member." The other bills introduced in the house include, the Control of Narcotics Substances (Amendment) Bill, 2023, the Constitution (Amendment) Bill, 2023, the National Refugee Bill, 2023, the Muslim Family Laws (Amendment) Bill, 2023, the Transgender Persons (Protection of Rights) (Amendment) Bill, 2023 and the Institute of Management and Technology (IMT) Bill, 2023. The chair referred the bills to the standing committees concerned.

R 31-3-2023

NEPRA HOLDS SIX ENTITIES RESPONSIBLE FOR JANUARY POWER BREAKDOWN

ISLAMABAD: The National Electric Power Regulatory Authority (NEPRA) has unfolded a 34-page inquiry report about a countrywide power breakdown on January 23, 2023, holding six entities mainly responsible for the blackout. The authority held the National Transmission and Despatch Company (NTDC), National Power Control Center (NPCC), GENCO-III, Guddu Thermal Power Station, and Port Qasim Electric Power Company (PQEPC) responsible for the breakdown.

NEPRA also accounted K-Electric (KE) as responsible for the failure to remain in island mode due to the tripping of Bin Qasim Power station—III.

The report said the wind generation curtailment lifted at 07:30hrs., and as a result about 500 megawatts generation injected in the system, which caused overloading of transmission lines as well as low voltage under steady state conditions in view of long AC corridor of about 1100KM, from Thar in South to Haveli Bahadur Shah in North with the insufficient generation, as the Guddu 747 Plant was under forced shutdown. It reduced the transmission line capacity in light of Surge Impedance Level (SIL).

Consequently, apart from rising trend in system frequency due to increase in wind generation, the oscillations on the system also started. At the same time the generation in the Northern region was reduced by shutdown of one unit and ramping down the generation of another unit of Ghazi Brotha at about 07:32:22.187hrs. That action aggravated the situation as the system was already weak and under stress due to high AC flow and low voltage/less VAR compensation in the middle, according to the report.

The delay in the restoration of the NTDC system was mainly due to failed attempts of black start facilities at WAPDA hydel stations and KAPCO. Other factors included a delay in synchronisation of various power plants and the non-availability of the SCADA (supervisory control and data acquisition) system in NPCC. The KE system was also delayed due to repeated failed attempts on black start.

The report mentioned that nine attempts were initiated from Tarbela to energize the system with different combinations of transmission lines and different area loads, but all attempts failed and the island could not expand and could not synchronise with Mangla.

The attempts were also made from the Warsak and Mangla hydropower plants, but no success was achieved. The back start facilities at all power plants were found highly questionable except the black start capability of the UCH-I power complex. The black start facility at the UCH-1 power plant was availed to energize the system.

The lack of SCADA and remote operations has a significant impact on the restoration process of the power system. SCADA is an essential tool that allows the system operator to monitor all system parameters which helps the system operator in expediting the action. Equally important is the sequence of events, especially related to equipment, of the complete network, which presently are not available, and can be recorded at NPCC only through SCADA, according to the report.

Earlier, an 18-page inquiry report of the four-member committee headed by State Minister Musadik Masood Malik had already been submitted to PM Shehbaz Sharif. However, the regulator’s report tabulated 15 sequences of events that took place during the occurrence of blackouts and 18 remedial measures to avert future blackouts.

NEPRA had constituted 6 member inquiry committee comprising Imran Kazi, senior advisor, M&E, NEPRA convener, Nadir Ali Khoso, market expert member, Ghulam Abbas Memon, market expert member, Syed Safeer Hussain, market expert member, Manu Ram market expert co-opt member, and Syed Aqib Ali Shah, deputy director, M&E, NEPRA secretary.

EXPLOSIVES DEPT NOTIFIES PSO

KARACHI: Department of Explosives, Ministry of Energy has warned Pakistan State Oil (PSO) to refrain from constructing, installing and operating petrol pumps without obtaining its prior approval. In a letter to the PSO, the department gave it the list of sites, which were found constructed / branding without obtaining prior approval from the Department of Explosives It also termed the letter of PSO to its earlier correspondence as unsatisfactory and showed that it is trying to save its skin and deceive this department by misrepresentation of facts and figures regarding the OGRA ban on the establishment of new retail outlets.

TN 31-3-2023

MINIMUM WAGE SET AT RS32,000 BY PUNJAB CARETAKER GOVERNMENT

LAHORE: The Punjab caretaker government on Thursday approved Rs7,000 increase in the minimum wage of the workers amid rising inflation in the country. A notification issued by the provincial government said the minimum age had been set at Rs32,000 per month after an increase of Rs7,000. Earlier, the government had set Rs25,000 minimum wage in the budget 2022-23.

Labour Department secretary Asadullah Faiz chaired a meeting of the minimum wage board and it unanimously recommended new wages. He said the department had recommended the minimum wages and the main board comprising employers representatives would finally discuss after a month and hopefully endorse the recommendations.

According to the Pakistan Bureau of Statistics (PBS), the weekly inflation reached 46.65 per cent on an annual basis during the previous week, indicating an unprecedented price hike experienced by low- and middle-income consumers in the country.

Inflation measured by the Consumer Price Index (CPI) has more than doubled since March last year when it was recorded at 12.7pc and hit 31.5pc last month. The high inflation has badly affected the salaried class which depends on a fixed income. On Jan 31, 2023, former president and Pakistan People's Party (PPP) co-chairperson Asif Ali Zardari proposed the coalition government to raise the minimum wage to Rs35,000. He said the decision regarding fixing the salary of workers should be made at the government level. "It is the responsibility of the government to provide relief to the workers," he said.

Dawn 31-3-2023

IMPORT PAYMENTS DEFERMENT SCHEME PROMOTES HAWALA BUSINESS: ANALYSTS

KARACHI: The import payments deferment scheme hurts the economy by promoting hawala business, weakening the rupee, and disrupting flow of remittances through legal channels, analysts and currency dealers said on Thursday. In December 2022, the State Bank of Pakistan (SBP) lifted restrictions requiring banks to obtain prior authorisation before beginning import transactions of necessities like food, pharmaceuticals, energy, and raw materials to facilitate business operations amid a dollar shortage.

Additionally, it allowed importers to import on a deferred payment basis beyond 365 days from the shipment date. The central also announced self-funded imports. Imports financed by the foreign currency that the importers had access to through equity, project loans, or import loans from overseas were permitted under the facility. The two facilities took effect from January 2.

The scheme provided some importers extra days to make payments on imported goods due to an economic crisis in the country, but it has turned out to be ineffective, leading to a rise in the demand for informal hawala transactions among many manufacturers, commercial importers, and small and medium-sized companies. Fahad Rauf, head of research at Ismail Iqbal Securities, agrees that the scheme has proved to be counterproductive. "There is a need to minimise hawala business as it is creating a distortion in the currency markets and putting pressure on the rupee," Rauf said. On one hand, the government was trying to preserve the foreign exchange reserves, while also trying to avoid large-scale shortages through such schemes, he said. "The solution to the problems is only one i.e. IMF and not just this programme but another programme after it ends and even with IMF things are going to be tough for common people," Rauf added.

Pakistan's foreign exchange reserves held by the central bank stand at $4.2 billion—enough to cover around one month of imports. Given the volatility of the PKR and the country's ongoing economic and political unrest, it is practically difficult for any reliable supplier to grant a 365-day payment deferral to a Pakistani importer. In order to establish a 365-day deferred payment bank contract with their importing company in Pakistan, commercial importers and manufacturers in Pakistan are making arrangements in Dubai, either by establishing their own company there or by using a third party.

And the method of operation is for the Pakistani importer to use the Hawala channel to make a full payment to the initial foreign supplier. However, Dubai's self-owned or third-party dummy exporter handles the import paperwork. "It is true that the increased demand for the hawala/hundi somehow is a result of the deferred financing for imports. Both the rupee and the remittances have suffered as a result. Despite the rupee's decline against the dollar, remittances are falling," said Zafar Paracha, secretary general of the Exchange Companies Association of Pakistan. Due to the scheme, it is difficult to determine the precise level of hawala demand. But the monthly cost would be in the hundreds of millions of dollars. However, the exchange companies' business is declining, according to Paracha.

The black market rate of the rupee on Thursday was 295 to the dollar. In the interbank market, the rupee ended the day at 283.66 against the dollar, and in the retail market, it was 287. The exchange companies had offered the government their willingness to pay for the opening of letters of credit (LCs) for imports as banks have been hesitant to do so, on a shortage of dollars, he said. "The need for dollars on the black market will eventually decrease if the government permits us to do so," he added.

Last week, the SBP removed the existing cash margin requirement on the import of goods with effect from March 31. Industry officials state that banks continue to obstruct the clearance of documents, even for the importation of necessities like oil. Even after the opening of LCs, banks have declined to makepayments. Hundreds of containers are still stranded at ports. At present, only LCs of essential items are being opened mainly. And others, especially luxury items are discouraged as a general rule, according to a banker. Zulfikar Thaver, president of the Union of Small and Medium Enterprises, said Pakistanis over a period of time had concealed their undisclosed and undeclared wealth in US dollars and it also became a parallel currency. Businessmen have a huge amount of cash dollars in their houses or in lockers and are using it for under-invoicing imports and differences are being sent through hawalas. Dubai is the place where most of them have their offices which receive and send dollars worldwide for these merchants. There are no restrictions, according to Thaver. He believes that the import payments deferment scheme can be a blessing for the SME importers as they need raw materials and packing materials. "Without imports, their units will close down. Imports and exports are like the warp and weft of the economic fabric, and you cannot export without imports. Factories closure means unemployment as workers will be sacked and downsizing of the office staff will begin. Banks recoveries will be affected and it will become a vicious circle," he said.

TN 31-3-2023

PITB E-AUCTION APP REGISTERS OVER 290,000 ASPIRANTS

LAHORE: The e-Auction app and web portal, developed by the Punjab Information Technology Board (PITB), in collaboration with the Punjab Excise and Taxation Department, has so far registered more than 290,000 aspirants since August 2020 to obtain attractive vehicle numbers. This emerged during a progress review meeting chaired by PITB Chairman Faisal Yousaf here on Thursday. It was informed during the meeting that applications of more than 197,000 people have been approved while about 134,000 vehicle numbers have also been sold through the system to date.

In this regard, PITB Chairman Faisal Yousaf said the system has also been linked to e-Pay Punjab for the payment of fees and the department has so far collected more than Rs790 million in revenue. “The e-Auction app and web portal has enabled people to secure attractive car numbers online from the comfort of their homes,” he added. It may be recalled that the system encompasses auctions of cars, motorcycles, commercial vehicle number plates and details of the winning bidders can also be viewed on the system. The facility of tax calculator and vehicle verification has also been provided as part of the online system.

CCP WARNS MASSES AGAINST APPS OFFERING NANO-LOANS

ISLAMABAD: The Competition Commission of Pakistan (CCP) has warned the general public about the rising trend of mobile app-based micro-credit and nano loan facilities. The commission has launched an inquiry against such illegal apps where vulnerable consumers (lower/middle income class) have made over 10 million downloads of such apps from their mobile phones in Pakistan.

In this regard, the CCP has issued an alert to the general public on Thursday. The CCP has also issued intimations to the Federal Investigation Agency (FIA), the Securities and Exchange Commission of Pakistan (SECP) and Pakistan Telecommunication Authority (PTA). According to the CCP’s letters, these applications, available on Google PlayStore and AppStore, offer short-term financing to borrowers but are currently facing numerous complaints and challenges in their track-and-trace process. As a result, the CCP has initiated an enquiry against these applications, which are observed to constantly change their premises and/or companies/undertakings behind such applications. Until the conclusion of the enquiry, the CCP deems it necessary to alert the general public about the many issues observed and how to avoid these issues. The CCP has also intimated to SECP, FIA, and PTA in this regard. Most of these applications operate without complying with Pakistan’s regulatory framework. Therefore, it is important to ensure that the applications from which consumers are borrowing are duly registered and are operating under a regulatory regime.

Moreover, these applications may tend to take complete control of the user’s device by requiring the user to agree to standard access permissions for the app. This may affect the privacy of the user as well as make the user vulnerable to the operator of such applications. Therefore, users are cautioned to carefully read the terms and conditions displayed so that they can make an informed decision. When applying for a loan through these mobile app-based micro-credit and nano-loan facilities, users are presented with various terms and conditions that outline the time period for which the loan is extended, the exact amount of loan disbursed, deductions made from the total loan requested, payment and repayment methods, and any hidden charges. However, it has been observed that these terms and conditions are often at variance with what is advertised, resulting in deception or fraud.

The applications also require the user to fill in two or more emergency contacts, which are considered as collaterals/guarantors by the operators. Recovery agents have reportedly been known to harass and abuse borrowers and their contacts for the sake of repayment. General public is made aware that these lenders will, on maturity, make calls to the consumer as well as the emergency contacts for recovery of the loan. To avoid falling prey to fraudulent activities, it is important for the public to be aware that there have been instances where recovery agents have given their personal account details instead of the lender’s valid account. This can result in payments not being adjusted against the repayment and cause further inconvenience to borrowers. Consumers need to be careful and only make payments on the registered accounts of the mobile app-based micro-credit and nano-loan facilities.

R 31-3-2023

JAPAN EDGES CLOSER TOWARD ISSUING DIGITAL YEN WITH PLANS FOR NEW PANEL

March 31, 20239:52 AM

TOKYO, March 31 (Reuters) - Japan is stepping up efforts toward issuing a digital yen with the creation of a government advisory panel and the launch of a pilot programme, joining a growing number of countries exploring a central bank digital currency (CBDC). The finance ministry will set up a panel of experts as early as April to discuss the feasibility of issuing a digital yen, two sources with knowledge of the matter told Reuters.

The step will come after the central bank's decision to start in April a pilot programme to test the use of a digital yen, moving Japan closer to issuing a CBDC in several years. Under a medium-term policy platform issued in 2021, the government pledged to start examining the feasibility of a CBDC when the Bank of Japan (BOJ) completed the initial phase of experiments by March 2023, which it has. "It will be in line with the pledge made in the policy platform," one of the sources said on the plan to set up a government panel, a view echoed by the other source. Both sources declined to be identified as they are not authorised to speak publicly.

Finance Minister Shunichi Suzuki told reporters on Friday the government was still in the process of scrutinising ways to meet the pledge to examine the feasibility of a CBDC, including the idea of the panel.

The BOJ has said no decision has been made on whether Japan will issue a CBDC. But it spent two years experimenting and will move to the next phase of conducting a pilot programme from April, to be ready in case the government decides to issue a digital yen.

The central bank has said the pilot programme may last for several years. Some laws may need to be revised if the government were to start issuing a CBDC for public use. "Ensuring the coexistence of CBDC with various other forms of money ... is something that we need to and will in fact achieve in the future," BOJ Governor Haruhiko Kuroda said in a speech on Tuesday.

Public broadcaster NHK reported on Thursday the finance ministry was considering setting up an advisory panel in April to discuss the possibility of a digital yen. Central banks around the world have stepped up efforts to develop digital currencies to modernize financial systems and speed up domestic and international payments.

Japan and other advanced economies are seeking to catch up with China, which is at the fore of a global race to develop CBDCs and has ramped up pilot schemes for retail payments.

The U.S. Federal Reserve has also been exploring a fully digital dollar that some have referred to as Fedcoin. Fed leaders have said that any launch of such an asset would need the support of elected leaders.

https://www.reuters.com/technology/japan-edges-closer-toward-issuing-digital-yen-with-plans-new-panel-2023-03-31/

ICJ RULES US ILLEGALLY FROZE SOME IRANIAN ASSETS

THE HAGUE: In a partial victory for Iran, judges at the International Court of Justice (ICJ) on Thursday ruled Washington had illegally allowed courts to freeze assets of some Iranian companies and ordered the United States to pay compensation, the amount of which will be determined later.

However, in a blow for Tehran, the World Court said it did not have jurisdiction over $1.75 billion in frozen assets from Iran's central bank. Acting Legal Adviser Rich Visek of the US State Department said in a written statement that the ruling rejected the "vast majority of Iran's case," notably where it concerned the assets of the central bank. "This is a major victory for the United States and victims of Iran's state-sponsored terrorism," Visek added.

In a reaction shared by Iran's foreign ministry on its Telegram channel it hailed the decision as "highlighting the legitimacy" of its positions and "expressing the wrongful behavior of the United States".

The ruling comes amid heightened tensions between the United States and Iran after tit-for-tat strikes between Iran-backed forces and US personnel in Syria last week.

Relations have been strained after attempts to revive a 2015 nuclear deal between Iran and major world powers stalled, and as Iranian drones are being used by Russia against Ukraine.

The case before the ICE, also known as the World Court, was initially brought by Tehran against Washington in 2016 for allegedly breaching a 1955 friendship treaty by allowing US courts to freeze assets of Iranian companies. The money was to be given in compensation to victims of terrorist attacks.

The Islamic Republic denies supporting international terrorism.

The 1950s friendship treaty was signed long before Iran's 1979 Islamic Revolution, which toppled the US-backed shah, and the subsequent severing of US-Iranian relations. —Reuters

INDIA CANCELS LICENCES OF SOME DRUG FIRMS

NEW DELHI: Indian authorities have cancelled or suspended licences of some domestic drug companies as part of action taken against 76 pharmaceutical firms this month for selling adulterated or fake products, a government source said on Thursday.

India is known as the ‘pharmacy of the world’ and its pharmaceuticals exports have more than doubled over the past decade to $24.5 billion in 2021-22. But that image has been dented by the death of at least 70 children in Gambia and 19 children in Uzbekistan last year linked to drugs made by India-based pharmaceutical companies.

Health Minister Mansukh Mandaviya confirmed a crackdown but did not give details of companies against which action had been taken. “There are more than 10,500 pharma companies in the country. Companies who make spurious medicine will not be spared,” Mandaviya told reporters at an event.

Licences of some Indian drug companies have been canceled, some were suspended while others have been put on notice during the past 15 days, the source, who had direct knowledge of the matter, told Reuters. The source, who did not want to be identified as they were not authorised to speak to the media, declined to reveal the names of the companies.

The federal government has said it will spend $79.6 million on strengthening its drug regulatory system after the World Health Organization raised concerns about domestically produced cough syrups being linked to the death of children in Gambia and Uzbekistan.

R 31-3-2023