ADDITIONAL DEPOSITS OF $2BN: SAUDI ASSURANCE RECEIVED, IMF TELLS PAKISTAN - PAKISTAN IS NOW WAITING FOR VERIFICATION FROM THE UAE FOR A STAFF-LEVEL AGREEMENT WITH THE IMF

ISLAMABAD: With the possibility of getting confirmation from the Kingdom of Saudi Arabia on $2 billion additional deposits, Pakistan is now anxiously waiting for securing verification from the UAE on an additional $1 billion deposit for moving towards a staff-level agreement with the International Monetary Fund (IMF). Top official sources confirmed to The News on Wednesday that the **IMF** had conveyed to Pakistani authorities that they had secured confirmation on the provision of $2 billion in additional deposits from the Kingdom of **Saudi Arabia** (KSA) and the Fund staff seemed largely satisfied with the latest confirmation.

Now the KSA high-ups are all set to make a public announcement, probably during the upcoming visit of Prime Minister Shehbaz Sharif to the Kingdom.

The KSA ambassador in Pakistan had also hinted recently during an interview with a web-based newspaper that his country had always supported Pakistan in critical situations and good news would be shared soon, InshaAllah. “Now all eyes are focused on the UAE for getting confirmation on another $1 billion deposit from them, which may pave the way for striking the staff-level agreement (SLA) with the IMF,” added the sources.

However, there was still another stumbling block in the way of signing the SLA with the IMF as the Ministry of Petroleum, in consultation with the PM Office, had announced an unplanned cross-fuel subsidy for owners of motorcycles and cars up to 800cc, which needed to be scrapped at this stage. The government, according to the sources, has not yet withdrawn the proposed cross-fuel subsidy, which cannot be implemented in a half-baked manner.

Such schemes were considered in the past during the tenure of former finance minister Shaukat Tarin and even during the era of the PDM-led government when Miftah Ismail had the charge of the Ministry of Finance.

Even Miftah Ismail had allocated Rs48 billion on the eve of the last budget in the name of Sasta Petrol, but it could not be implemented because such schemes could not be designed properly.

The announcement of a half-baked cross-fuel subsidy had provided an excuse to the IMF for delaying the SLA signing, as they were still raising questions for getting more details to ascertain how the scheme was going to be implemented in a transparent manner.

Meanwhile, Minister for Finance **Ishaq Dar** is scheduled to lead an official delegation for attending the upcoming annual spring meetings of the IMF and World Bank, but so far his meetings with the bilateral and multilateral partners on the sidelines of Breton Wood Institutions (BWIs) was not finalised and confirmed. It is yet to be seen how Pakistan and the IMF move ahead with the completion of the Extended Fund Facility (EFF) programme even if the pending 9th Review got accomplished because the existing EFF programme would expire on June 30, 2023. There is one possibility of extending the programme period by three to six months, but nothing is discussed and finalised so far, added the officials.

GOVT RAISES RS2.2 TRILLION VIA T-BILLS AUCTION

KARACHI: The government raised a hefty Rs2.2 trillion through an auction of the Market Treasury Bills on Wednesday, while the yields didn’t significantly change on short-duration papers. The raised amount was much higher than the pre-auction target of Rs900 billion. The yield on the three-month T-bill remained unchanged at 21.9997 percent, with the yield on the six-month paper down 1 basis point at 21.9789 percent. The yield on the 12-month T-bill, however, increased 40 bps to 21.8898 percent, according to the T-bill auction result released by the central bank.

Analysts said the T-bills’ yields on the three, and six months papers were stable due to a lower-than-expected rise in interest rate. “The increase in interest rate was lower than expected. The market was expecting 200bps, while the actual increase was 100bps,” said Fahad Rauf, head of research at Ismail Iqbal Securities.

The yields were stable as a result of that. The huge government borrowing through T-bills shows its high funding requirements. The benchmark six-month Karachi interbank offered rate decreased by 38 basis points to 21.98 percent.

The State Bank of Pakistan raised the policy rate to a record 21 percent to curb crippling inflation. The SBP believes the rate hike, along with previous tightening, would help achieve a medium-term inflation target over the next two years.

However, uncertain global financial conditions and domestic political situation pose risk to the central bank's assessment, according to Alfalah Securities. "In our view, this is the end of a tightening cycle," it said in a note. The note explained that record-high March consumer price index inflation of 35.4 percent had materially influenced the monetary policy decision.

"Note that broad-based increase in prices, have taken July-March FY2023 average inflation to 27.3 percent, withdrawal of electricity subsidy, increase in the general sales tax to 18 percent, increase in federal excise duty on cigarettes and sugary drinks, and recent exchange rate depreciation has significantly increased inflation outlook," it said.

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INVESTORS WITHDRAW $190M IN FEB: PULL OUT CAPITAL FROM NATIONAL SAVING SCHEMES DUE TO UNCOMPETITIVE RATE OF RETURN

KARACHI: Investors in Pakistan have been aggressively withdrawing investments from various national saving schemes due to significantly low rates-of-return (RoR) compared to the ones offered by banks on fixed investments. The State Bank of Pakistan (SBP) reported on Wednesday that investors withdrew Rs32.38 billion ($190 million) from saving schemes alone in February 2023, with a total disinvestment of Rs285.73 billion ($1.7 billion) in the first eight months (Jul-Feb) of the current fiscal year 2023. Speaking to the Express Tribune on the condition of anonymity, a Central Directorate of National Savings (CDNS) official said, "Who will invest in national saving schemes at the prevailing RoR at around 12% compared to 22% on three-month T-bills (the government debt instrument)? The rate of return has become uncompetitive… it has gone dead." Additionally, the government also deducts 30% tax on profit from the saving schemes from non-filers, he said.

The CDNS reported that it is offering RoR in the range of 12.26% to 14.16% on saving schemes, including Defence Saving Certificates (DSC), Behbood Savings Certificates (BSC), Shuhadas Family Welfare Account (SFWA), and Regular Income Certificates (RIC). The CDNS is also offering profit in the range of 16.12% on investment in three-month Short-Term Savings Certificates (STSC), 16% on six-month paper, and offers 15.96% RoR on 12-month STSC.
The CDNS official stated that "individuals and corporates are withdrawing investment from saving schemes prematurely (before the period of investment is completed) to relocate investment to higher return offering instruments."
The official added that some banks are now offering an RoR of around 22% on fixed investment for up to three years, and "knowledge-based investors may be relocating their capital to more lucrative assets."
In 2020, the government barred corporate investors from parking their savings into CDNS saving schemes, as they can invest directly in government debt securities like three to 12-month T-bills and three to 20-year PIBs. The outflows from outstanding investment with CDNS are partially seen due to the maturing of investment by corporates or they are prematurely withdrawing the investment to take position in lucrative instruments like the T-bills and PIBs, he added.

This is the third consecutive year in a row in which investors are pulling capital from saving schemes. Earlier, corporate withdrawal was a leading reason behind the aggressive outflows, but now, it is most likely individuals who are divesting due to the offer of low profit.
The central bank reported that the outstanding investment in saving schemes (net of prize bonds) has reduced to Rs2.92 trillion ($17 billion) in February 2023, compared to Rs3.48 trillion ($20 billion) in the same month of the last year, showing a drop of 16% (or Rs565 billion) in one year. The outstanding investment in prize bonds, however, improved to Rs381.5 billion ($2.2 billion) in February 2023, compared to Rs373.4 billion ($2.1 billion) in February 2022.
The central bank data suggests investors have pulled out Rs26.68 billion ($157 million) from Defence Saving Certificates (DSC) during Jul-Feb FY23, withdrew another Rs26.76 billion ($158 million) from Regular Income Certificates (RIC), divested Rs71.89 billion ($423 million) from Special Savings Certificates (SSC), and disinvested another Rs167.26 billion ($983 million) from other schemes. They, however, purchased prize bonds worth Rs6.87 billion ($40 million) in the first eight months of FY23.

CDNS reinvests the funds taken from individuals into three to 10-year PIBs and distributes profits among its investors from the profits earned on PIBs. Commercial banks bought three-year PIB at an RoR at 18.05% in mid-March. They acquired five-year bonds at the rate of 13.80%.
In the secondary market, the yield on three-year PIB hovered at 18.23%, on five-year bond at 15.16% and on 10-year PIB the yields stood at 15.24% in mid-March.

This shift away from national saving schemes and towards government debt securities is worrying news for the Pakistani government, which relies on savings mobilised through CDNS to finance its fiscal deficit. With investors increasingly turning to the more lucrative government debt securities, the government's reliance on commercial banks for financing is set to increase. As of mid-March, commercial banks lent to the government at a historic high rate of 23% against acquiring T-bills. The government is now under pressure to offer more attractive RoRs to savers in order to keep them invested in national saving schemes.

The government is mandated to revise saving rates every month, but it has not revised the rates for several months, said the CDNS official, adding that the weighted average RoR on national saving schemes should be 95% of the return on PIBs as per the relevant law.

TR 6-4-2023

SENATE PANEL PASSES EPZA AMENDMENT BILL

ISLAMABAD: The Senate Standing Committee on Industries and Production, Wednesday, unanimously, approved the Export Processing Zones Authority (EPZA) Amendment Bill 2023 with some minor amendments.

The committee meeting was held here under the chairmanship of Senator Khaleda Atib to discuss the matters related to the Export Processing Zones Authority Amendment Bill, 2023, introduced by senators Faisal Saleem Rehman, Dilawar Khan, Manzoor Ahmed, and Hidayatullah.

The members while reviewing the bill in detail said that increasing the country's exports was critical to deal with the persisting balance of trade and economic growth. Senior officials of Export Processing Zones informed the committee that some proposals have been prepared regarding this bill.

The officials said that the country has proven potential to increase the exports of medical, textile, leather, surgical, value-added textiles, engineering goods, sports goods, vegetables, chemicals, and other items but needs an enabling environment.

The chairman committee advised the Ministry of Industries to facilitate the firms, businessmen and investors to increase local manufacturing so that Pakistan can achieve the desired status among the global community.

The panel was informed by the officials that the federal minister a year ago directed the relevant quarters to review the existing rules and regulations of EPZA and other Special Economic Zones (SEZs) for making them more industry-friendly to increase ease of doing business in the country. he panel stressed that all the provincial and federal organisations and departments need to collaborate to solve problems faced by the surgical industry to further increase the exports of the surgical sector.

The panel was informed that in Pakistan various sectors have significant potential to increase the country's exports and in this regard information technology sector, Engineering Development Board (EDB), Small and Medium Enterprises Development, National Productivity Organization (NPO), Pakistan Industrial Technical Assistance Centre (PITAC) and Technology Upgradation and Skill Development Company (TUSDEC) along with provincial organisations including Punjab Small Industrial Corporation, Cluster Development Institute, TEVTA, and Customs Department can play a critical role.

The members stressed the need to close cooperation among all the relevant quarters to resolve any matter being faced by the export-oriented industries. The panel underlined the need for improvement in efficiency, productivity and enhance, as well as, diversify exports.

The committee members said that the industry needs the government's support for identifying joint venture, partners from China for the transfer of technology for entering into manufacturing.

The chairman committee said the other important issues were the appointment of trained and experienced staff in EPZs, who could efficiently handle the inbound and outbound shipments. "The staff should have the proper knowledge and skills concerning export processing and customs laws." Taking an export consignment to Karachi for further processing is cumbersome and worrying for exporters as it also increases the exporters' expenses, and cargo handling becomes a problem in this way, so resolution of such matters was also a need of the hour.

RS312.733M OLD DISPUTE ECC SCRAPS PROPOSED DRAFT IA BETWEEN KE AND FBR

ISLAMABAD: The Economic Coordination Committee (ECC) of the Cabinet has scrapped the proposed draft Implementation Agreement (IA) between K-Electric (erstwhile KESC) and the FBR for settlement of 27-year-old dispute of Rs 312.733 million, after objections were raised during the ECC meeting, well-informed sources told *Business Recorder*.

Sharing the details, sources said, KESC (now K-Electric) imported high voltage equipment and electrical material for rehabilitation and expansion of Transmission, Grid and Distribution system during 1995-96. However, owing to non-payment of custom duty amounting to Rs. 321.733 million by KESC, 40 consignments of equipment remain blocked at the port for some time.

ECC in its meeting held on May 18, 1998 deliberated and decided that the issue of payment of duties/taxes and demurrage should be looked into by a committee, to be convened by the then Secretary Water and Power.

ECC further decided that the equipment lying at the port should be released immediately on submission of indemnity/guarantee by the KESC.

Consequently, CBR (now FBR) released the equipment on submission of indemnity bonds ofRs.32.1.733 million by KESC. However, the issue remained unresolved till the time of privatisation and later included in Implementation Agreement (IA) of April 2009, as an unsettled issue.

K-Electric filed a writ petition in the Sindh High court in 2018 and the case was dismissed by the court with the direction that "liability of Rs.321 million outstanding towards duty and taxes for more than 20 years shall be paid by the petitioner within four weeks from the date of the order."

K-Electric, aggrieved by the order of the High Court of Sindh, filed a civil suit in 2019 before the Supreme Court which in its interim order of May 6, 2019 directed the petitioner to deposit 25 percent of the claimed liability of Rs 321.733 million and directed Government of Pakistan to discharge its obligation under Article 8.7 of Amended Implementation Agreement. Consequently, K-Electric deposited Rs. 80.5 million in the government treasury. During hearing of the case on October 05, 2022, the Supreme Court directed Government of Pakistan to resolve the matter within three months.

The sources said, to comply with the order of Supreme Court and to resolve a long pending issue related to the implementation of Article 8.7 of the AIA, the Prime Minister on December 26, 2022 constituted a high level committee with the following composition: (i) Minister for Power (Chairman); (ii) Minister for Privatisation (Member); (iii) Minister of State for Finance (Member); (iv) Secretary, Finance Division (Member); (v) Secretary, Power Division (Member); (vi) Secretary, Law and Justice Division (Member); (vii) Secretary, Privatisation Division; and (viii) Chairman FBR. Federal Minister for Power Division chaired two meetings of the committee and amicably concluded the issue by devising a settlement mechanism, which is mutually agreed and signed by all stakeholders.

According to the agreement, K-Electric, to pay 50 per cent of the total disputed customs duty and taxes amounting to Rs 312,733,000 from its own revenue/profit shall not charge it from its consumers. However, as K-Electric had deposited Rs 80,500,000 on May 13, 2019 to the Collector Customs Karachi therefore, the power utility company would only deposit remaining amount of Rs 80,366,500 to the Collector Customs by March 31, 2023, making total aggregating to Rs 160,866,500, ie, equivalent to 50 per cent of the total disputed amount of Rs 321,733,000. For the remaining 50 per cent, K-Electric will file a tariff petition before Nepra to allow it as a pass through amount in tariff. Consequent upon approval from Nepra, KE will also deposit the remaining 50 per cent amount with Collector of Customs FBR within 90 days of tariff approval.

SECP TO ALLOW NBFCS TO LAUNCH DIGITAL FUND MANAGEMENT, LENDING AND TRUSTEE SERVICES

ISLAMABAD: The Securities and Exchange Commission of Pakistan (SECP) will allow the Non-Banking Finance Companies (NBFCs) to launch digital fund management, lending, and trustee services. Through an SRO 423(I)/2023 issued on Wednesday, the SECP has proposed amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008 to facilitate adoption of new technologies, improve ease of doing business and enhance investor protection. The draft amendments have been placed on SECP's website for public consultation.

Provisions also include to enable Asset Management Companies (AMCs) to promptly notify unitholders of account activity and maintain confidentiality of client information. Redundant and superfluous provisions were also removed. Additionally, the 100% equity cap on total unsecured exposure has been eliminated. Lending NBFCs that have recently received licenses have been given a year to meet the minimum investment requirement in their primary business.

Investment Advisors can now provide portfolio management services to all investors in accordance with global best practices, as are countries like Canada, India, and Malaysia. The deadline for submitting CEO applications has been increased from 10 to 30 days. Furthermore, enabling provisions have been introduced to allow certain financial institutions to distribute units of CIS/VPS without obtaining a license, subject to compliance with S&FA Regulations.

According to the revised regulations, the SECP has also directed the Non-Banking Finance Companies (NBFCs) to formulate Corporate Governance and Proxy Voting policies to strengthen the regulatory regime of these companies. An Asset Management Company shall put in place, appropriate policies and procedures, approved by its board of directors, which govern trading or investment in securities by the AMC employees, their spouse(s) and dependent children and directors and their spouse(s) and dependent children if such directors are privy to investment committee consultations or decision.

TOXIC GASES, NOT MEASLES, CAUSED DEATHS IN KARACHI'S KEAMARI, RULES MEDICAL BOARD

KARACHI: A medical board, constituted by the health department to ascertain causes of deaths of 18 people in Keamari earlier this year, has come to the conclusion that the release of toxic gases from a nearby illegal industrial area was the main reason behind the deaths, it emerged on Wednesday.

The conclusion was drawn on the basis of the findings of post-mortem, histopathology, toxicology and virology reports for which the board had exhumed eight bodies on the directions of a judicial magistrate concerned. "Findings are highly suggestive that the manner of death was unnatural and factors like measles were less likely to contribute to the cause of death," said the report reviewed by *Dawn* on Wednesday.

The 18 deaths of people from various age groups, mostly between two to four years, were reported in Ali Mohammed Goth in Keamari between January 5 and 31. On Feb 1, the provincial government had constituted a medical board and appointed Prof Naseem Ahmed of the Dow University of Health Sciences as its head. Other members were Prof Makhdoom Pervez Ahmed of the Jinnah Sindh Medical University, Dr Azizullah Khan Dhiloo of the Civil Hospital Karachi (CHK) and Police Surgeon Summaiya Syed.

"The causative factor for the death of people in the affected area due to this tragic incident was mainly environmental, possible due to release of some toxic/poisonous gases from adjacent/ neighbouring illegal industrial area leading to acute lung injury and subsequent severe allergic reaction (allergic pneumonitis) complicated by respiratory distress leading to respiratory failure," the inquiry report added.

The board ruled out the possibility that the victims died of measles. It said that the members of the board also assessed infectious aetiology that was less likely the cause of death "due to absence of hallmark symptoms and signs". "There were no clinical cases of measles in the area albeit, positive serology indicates toward need of stringent vaccination campaign in the area," it added.

The board members also complained about certain difficulties and hindrances during the process of inquiry. "The board members visited the area after closure of the industrial activities; therefore, it was not possible to acquire samples of the air and possible dangerous toxic gases that were notice/stated by the district health officer's team on January 26," it said.

The board also criticised the DHO-Keamari and his staff for their non-cooperative behaviour throughout the conduct of the inquiry. In order to avoid such a tragedy in future, the board has suggested a host of recommendations ranging from immediate stoppage / restriction/ removal of all industrial activities from the residential area to immediate plan to immunise the residents.

Other recommendations included provision of dispensary / mobile healthcare facility and improving nutritional status of malnourished children through the nutritional rehabilitation programme. Besides, the report also suggested development of infrastructure and schools and provision of safe spaces for women and children, etc.

The report stated that most deaths occurred after a factory started functioning in the area on Jan 5. "The deaths stopped after the closure of the plastic burning factory," the probe report stated.

The final inquiry report also cited the soil samples report from the Industrial Analytical Centre (IAC), University of Karachi, which revealed "presence of hydrocarbons, phthalates (plasticizers), polycyclic aromatic hydrocarbons, easters, oxiranes and diaoxolane in all four samples". "Almost all of these are associated with environmental pollution," the report of the board said. Abdul Haleem was the only child among 18 deaths whose post-mortem examination was conducted at the CHK.

The IAC's report said that phthalates (plasticizers) were found in the samples of the deceased child. Similarly, NIH Islamabad report said that the symptoms for dengue, measles and rubella were negative.

The medical board came to the conclusion that the death of the child occurred "due to acute-on-chronic inflammation of lungs/superimposed bacterial infection, leading to lung congestion".

Dawn 6-4-2023

SBP'S OVERNIGHT REPO RATE FIXED AT 22PC

KARACHI: As the State Bank of Pakistan (SBP) has decided to increase "Policy Rate" (Target Rate) from 20 percent to 21 percent, SBP Overnight Reverse Repo (Ceiling) rate will be at 22 percent i.e. 100 bps above the SBP Policy Rate. While, the SBP Overnight Repo (Floor) rate will be at 20 percent i.e. 100 bps below the SBP Policy Rate Accordingly, the Floor and Ceiling levels for the Interest Rate Corridor are 20 percent and 22 percent p.a. respectively with width of 200 bps.

The SBP will continue to ensure that the money market overnight rate remains close to the SBP Policy Rate (Target Rate). The new rates are effective from April 05, 2023.

SBP NOT EMPOWERED TO DECIDE ON SERVICE MATTERS OF BANK EMPLOYEES: LHC

LAHORE: The Lahore High Court (LHC) has held that the State Bank of Pakistan (SBP) has no jurisdiction to decide on service matters of bank employees.

The court said power of the State Bank provided in section 41 of the Banking Companies Ordinance, 1962, to give directives is not applicable to service matters of bank employees. The court passed the order in a petition of Ms Asma Abdul Waris who sought direction to the SBP to decide her representation. The petitioner also challenged the decision of a single bench of the LHC.

The court held that where a jurisdiction is not vested by law, the courts would not ordinarily confer the said jurisdiction on any authority as the same could not be conferred by consent of the parties. The appellant's counsel contended that State Bank had jurisdiction to entertain appeal in terms of Section 11 of the Banking Companies Ordinance, 1962. The petitioner's counsel also claimed that the SBP had entertained and decided some cases of similarly placed persons.

The court said Section 11 of the Banking Companies Ordinance, 1962, does not relate to the service matters of employees of banks or their cases about terms and conditions of service and termination, consequently the reliance of the counsel for the appellant on the said section is misplaced.

According to the court, the impugned order passed by a single bench is in consonance with the law on the subject and no illegality, jurisdictional defect or misreading of record has been pointed out to warrant any interference in the order in question. Asma Abdul Waris joined the United Bank Limited as a branch manager on April 1, 2017. She was promoted as vice president in March 2022, but her promotion was withheld due to an ongoing inquiry about opening of fake bank accounts and she was terminated from service.

The petitioner made representations to the respondent to exercise its powers for her reinstatement; however, the respondent did not exercise its powers. The appellant sought direction to the State Bank of Pakistan to decide her representation.

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