KSA COMMITS FINANCIAL SUPPORT TO HELP SECURE IMF DEAL: GOVT

ISLAMABAD: Minister of State for Finance, Dr Aisha Ghaus Pasha Thursday said Saudi Arabia has made the commitment to the International Monetary Fund (IMF) and Pakistan got this indication from the Fund in this regard. Talking to the media at the conclusion of the NA Standing Committee on Finance meeting, she said that the IMF has indicated to Pakistan that Saudi Arabia has made the commitment with respect to external financing.

The UAE's support will play an important role in reaching staff-level agreement with the IMF on the 9th review and subsequent release of the next tranche. In response to questions, she said that Pakistan delegation is leaving for Washington for the spring meeting of the WB/IMF but expressed his ignorance whether the finance minister would be visiting or not. She said that she did not get a chance of meeting with the finance minister on Thursday and that is why she is not aware of the development regarding his visit. Pasha added that may be because of some developments in the country he is reconsidering his visit but she is not aware of it, however, she added the delegation is certainly leaving for Washington.

The minister said that the IMF wanted to take Pakistan towards structural reforms which are in Pakistan's own interests. We have to live within our means whether fiscal or external account, she said and added that the country is committed to the IMF programme. Aisha Ghaus Pasha also assured the committee that the process for appointments of the NBP and the ZTBL presidents would be completed by the end of the current fiscal year. She said that the appointment of the president of the National Bank of Pakistan is pending since January 2022.

HALF A TRILLION IN DEBT HAIRCUTS ESSENTIAL FOR SUSTAINABILITY: STUDY

LONDON: Up to half a trillion dollars in debt needs to be written off to help developing nations at greatest risk of default return to sounder fiscal footing and meet climate and development goals, according to a Boston University report released on Thursday.

The haircuts on debt owed to public and private creditors by 61 of the nations that are already in or are at most risk of debt distress are essential to avoid "cascading defaults," according to calculations from the Boston University Global Development Policy Center and the Debt Relief for a Green and Inclusive Recovery (DRGR) Project. "Without ambitious debt relief, many of the poorest countries don't have a chance," said Kevin P. Gallagher, DRGR project co-chair and director of the Boston University Global Development Policy Center.

The COVID-19 pandemic, followed by food and fuel shocks in the wake of Russia's invasion of Ukraine in 2022, put enormous strain on public finances and led to soaring borrowing costs. At the same time, emerging market sovereign debt increased by 178% since the global financial crisis, rising to $3.9 trillion by 2021, the report found, and the structure of lenders became increasingly complex.

The researchers found that some $812 billion in debt across all creditor classes should be in scope for restructuring. To achieve the best outcome, researchers proposed to include instruments that had alleviated previous emerging market debt crises. This included a guarantee facility that would provide enhancements - or forms of guarantees - for newly issued Brady bonds focussed on green and inclusive recovery which private and commercial creditors can swap with a significant haircut against old debt, the report said.

"The proposal is in many ways a modern-day version of the Brady Plan and the Highly Indebted Poor Countries (HIPC) Initiative of the 1990s combined — the last time that debt distress threatened our development goals." Ratings agency Fitch said there are currently a record number of sovereign debt defaults, while the International Monetary Fund said 25% of emerging markets and 60% of low-income countries are in or near debt distress. This coincides with what experts warn is pending environmental catastrophe. The research found a correlation between debt distress and climate vulnerability; a string of debt-distressed nations, including Pakistan, Ethiopia and Malawi, have recently battled concurrent extreme weather events that intensified pressure on public finances.

The report warned that as financial markets increasingly factor climate-related risks into their assessments, it will become more expensive for those nations to borrow money - putting essential projects to cut emissions and bolster climate resilience out of reach.

GLOBAL CURRENCY: GOVT SUPPORTS CHINA'S EFFORTS TO EXPAND USE OF RMB

BEIJING: Pakistan had been a long-time supporter of China's efforts to expand the use of the Renminbi (RMB) as a global currency, said Minister of Planning, Development and Special Initiatives, Prof. Ahsan Iqbal. Talking to China Economic Net (CEN) during his visit to Beijing, he said that recently, China had been ramping up support for RMB clearing and settlement in its foreign trade, especially with Belt and Road Initiative countries and Pakistan was one of the leading countries to use RMB for international trade settlement. "We are also promoting transactions in RMB for big projects under CPEC like the ML-1 project, which is almost $8 to $9 billion. We are trying to structure its deal in RMB and we are already working with Chinese companies who have major projects with transactions made in RMB," Ahsan added. He said that Pakistan already signed a memorandum of understanding (MoU) with China to facilitate the use of RMB in bilateral trade and investment.

The agreement between China and Pakistan provides a platform for the two countries to foster closer economic ties and promote trade and investment using RMB. He said that after COVID-19, China was opening its door wider, which offers a great opportunity for the world economy. China's growth will help global growth back on track.

$3BN LOAN AT ZERO INTEREST RATE: NA PANEL ASKS SBP TO SUBMIT LIST OF 600 BORROWERS

ISLAMABAD: The National Assembly Standing Committee on Finance, Thursday, directed the State Bank of Pakistan (SBP) to submit details with names and amount of 600 people who were provided $3 billion loan at zero interest rate. During the committee proceedings, the committee members also sought details about the names of 600 persons who were provided $3 billion at zero interest rate.

The representative of the SBP said that the facility was provided by commercial banks during corona. Commercial banks very thoughtfully provided loans to experienced people, he added. He said that all details can be provided to the committee in an in-camera meeting. Under the Banking Companies Ordinance, credit information is confidential. However, the SBP would follow the directions of the Finance Committee, he maintained. The chairman of the committee wanted that the SBP should submit a list of loans and on what terms and conditions it was provided.

The chairman of the committee and members raised serious questions as to what is preventing the government from appointing president NBP, president ZTBL, and members of the Competition Commission of Pakistan (CCP). The minister said that process for the appointment of president ZTBL and NBP president is being expedited. She said that this is the prerogative of the government. She admitted that these are governance-related issues but added that once the entire cycle for the appointment was completed which was subsequently re-advertised due to some issue.

The appointment of NBP president was re-advised and at this point in time the case is with the State Bank of Pakistan (SBP) for clearance under fit and proper criteria. She said that an assessment of fit and proper criteria is under process for the appointments of both the ZTBL and NBP presidents. She said that currently it is being run by the acting president. With regard to the appointment of the members of the CCP, she said that a total of 190 applications were received and the selection committee has been constituted and the process would be completed as early as possible.

The chairman of the committee expressed serious concern over no appointment of NBP president, Zarai Taraqiati Development Bank, and CCP there is only one chairperson in the board of five members and four members have not been appointed. On the issue of the pension of the ex-NBP employees, a senior official of the NBP bank informed the committee that as per their directives, first meeting with the representative of pensioners was held.

The pensioners' representatives were informed that a decision to this effect would be taken by the Board of the bank and the pensioners agreed that the board has to resolve it.

The chairman of the committee stated that this matter is pending for many years and the court has also ruled in favour of the pensioners and the bank has filed a review. Aisha Pasha stated that the pensions and National Saving Schemes (NSS) have been digitalised and if a pensioner wants it can get a cheque book or ATM card and they have to inform the national saving schemes that his profit should be transferred to the pension account and they are not required to visit the national saving center.

Minister of State for Finance Minister Dr Aisha Ghaus Pasha informed that the government is not considering any scheme to give one-time permission to the accountholders to deposit cash foreign currency in their bank accounts without asking the source of the foreign exchange.

“The IMF has strictly barred the government from announcing any amnesty scheme. The fund is extremely against such amnesty schemes. Therefore, the government is not considering any scheme for the accountholders”, she said.

Chairman Forex Dealers Associations Malik Boston said that the biggest problem of the country is dollars and stated that they came to help the government in this regard through an agreement as was done in 1998 after the country faced a similar challenge following nuclear tests. He said that we are giving $400 million and could increase the amount to $1 billion besides providing dollars to the public. Pakistan is not getting the benefits of being calamity-hit area but so far only $800 million out of the total pledges made.

INVESTMENT OR DEPOSIT: TRANSFER OF PUBLIC MONEYS TO OTHER BANK ACCOUNTS BANNED

ISLAMABAD: The Ministry of Finance (MoF) has imposed a ban on transfer of public moneys for investment or deposit from government accounts, including the assignment accounts, to other bank accounts without prior approval from the federal government. This was conveyed by Special Secretary Finance, Awais Manzur Sumra, in a letter to all the ministries/Divisions, autonomous bodies, organizations, commissions, authorities, entities and corporations of the federal government and all the accounting offices/organizations of the federal government and State Bank of Pakistan.

The financial procedure for other Federal Government has been laid down in Articles 78 to 84 of the Constitution of Pakistan 1973. It broadly prescribes that no expenditure from the Federal Consolidated Fund (FCF) shall be made unless it is duly authorized by the National Assembly and specified in the Schedule of Authorized Expender, so authenticated by the Prime Minister.

Furthermore, the Federal Government shall have power to authorize additional expenditures (Supplementary Grants) during a financial year from the Federal Consolidated Fund, whether the expenditure is charged by the Constitution upon that Fund or not.

In pursuance of Article 79 of the Constitution of Pakistan 1973, the Public Finance Management Act 2019 has been enacted by the Federal Government. Section 22 of the Act provides that custody and operation of Federal Consolidated Fund and Public Account of Federation shall vest in the Finance Division under supervision of Federal Government.

Furthermore, under Section 23 of the Act, no authority shall incur or commit any expenditure or enter into any liability involving expenditure from the Federal Consolidated Fund and Public Account of the Federation until it has been sanctioned by a duly empowered competent authority and the expenditure has been provided for the financial year through Schedule of Authorized Expenditure; or Supplementary Grant and Technical Supplementary Grant; or re-appropriation. Moreover, no authority shall transfer public moneys for investment or deposit from government accounts, including the assignment accounts, to other bank accounts without prior approval from the Federal Government.

According to Rules of Business 1973, Finance Division has been mandated to manage the finances of the Federal Government and financial matters affecting the country as a whole. Finance Division has emphasized a number of times the efficient, prudent, disciplined management of the available resources by all the Principal Accounting Officers (PAOs) and other persons authorized to spend public money over the past year.

These instructions have been issued at the time of allocation of funds through IBCs in May 2022, Funds Release Strategy in July - August 2022 and January 2023 and Commitment Control Guidelines in February 2022. In addition, Financial Management and Powers of PAOs Regulations 2021 also elaborate the responsibilities and functions assigned to the PAOs and Heads of Departments/Offices. While the PFM Act provides for delegation of financial powers to the PAQs and other persons, it also balances authority with responsibility for financial propriety as per applicable rules and regulations. Finance Division has been reiterating that the first charge on the allocated budget is to meet the ERE of the Division.

Attached Departments and Subordinate Offices under the administrative control of the PAO/Finance Division has also laid down the procedure and criteria for release of budgetary funds to the autonomous bodies, organisations, commissions, authorities, entities and corporations as grant-in-aid.

The letter further re-emphasized that in the light of the explained position and in order to maintain financial propriety all expenditures should be based on well-defined plans and should remain within the allocated and released budget.

No expenditure should be approved by the PAOs or other authorized officers and the Accounting Offices without availability of funds through budgetary mechanism.

All the Divisions, Attached Departments and Subordinate offices, autonomous bodies, organizations, commissions, authorities, entities and corporations of the federal government shall follow the following budget execution strategy: (i) Strictly implement the provisions of Constitution, Law, Rules, Regulations, procedures, guidelines, strategies and instructions; (ii) there should not be any deviation, non-compliance by any authority or office for whatever reason and circumstances;(iii) The PAOs are the Chief Accountable Officers for the public funds entrusted to them by the National Assembly and the Prime Minister.

The PAOs are responsible for financial propriety, fiscal discipline and output based performance budgeting;(iv) all the autonomous bodies, organizations, commissions, authorities, entities and corporations of the Federal Government which are receiving public funds, in whichever form, kind, procedure, directly or indirectly, shall seek prior approval of Finance Division, through Expenditure Wing, relating to creation of new posts, any increase in pay and allowances-of their employees (ERE), pension and non-ERE; (v) Grant-in-Aid shall be non-recurring and funds shall be disbursed only to meet any justified shortfall for a limited period of time.

All bodies receiving Gant-in- aid should endeavor to be self-sufficient to meet their operational expenditures in accordance with their approved budgets by their competent forums; (vi) the expenditures on subsidies should be targeted and output based. Any untargeted subsidy should be phased out at the earliest.

All the proposals for grant of subsidies shall be prepared in consultation with relevant wings of the Finance Division. There shall be no un-funded subsidy; (vii) all commitments involving foreign exchange, including subscriptions and contributions to the international organizations, shall only be made with the prior concurrence of the External Finance Wing of the Finance Division; and (viii) the PAOs are responsible for closely pursuing cases in courts of law that could result in adverse financial implications for the government.

Finance Division has requested all the PAOs, Heads of Departments and Subordinate Offices and Heads of the Autonomous Bodies, Organizations, Commissions, Authorities, Entities and Corporations of the Federal Government and alt the Accounting Offices/Organizations of the Federal Government to fully comply with the stated strategy for better financial and budgetary management during the financial year.

‘OVERDUE’ PAYMENTS TO CHINESE IPPs: CPPA-G DIRECTED TO PREPARE ‘INNOVATIVE’ INSTRUMENT

ISLAMABAD: Minister for Planning, Development and Special Initiatives Ahsan Iqbal has directed the Central Power Purchasing Agency–Guaranteed (CPPA-G) to prepare innovative instrument to make 14 percent overdue payments to Chinese IPPs, well-informed sources told *Business Recorder*. He issued these instructions to CPPA-G, the Market Operator, while presiding over a meeting of Joint Cooperation Committee (JCC) of China Pakistan Economic Corridor (CPEC).

The meeting was informed that currently overdue payments to CPEC IPPs stand at Rs 350 billion which is 14 per cent of total amount; whereas 86 per cent of the payments are being regularly made to these IPPs and CPPA-G noted that it is being further improved.

“Power Division/CPPA-G has been asked to prepare a proposal in collaboration with Finance Division about possible alternative (innovative financing instrument) to make the 14 per cent overdue payments to Chinese IPPs,” the sources added. Previously, the government’s agencies, sources said, had proposed to clear overdue payments of Chinese IPPs on the pattern of other IPPs but the plan could not get approval due to bureaucratic hurdles.

The meeting was informed that the Chinese side had shared feedback on draft minutes of 11th Joint Cooperation Committee meeting held in October 2022 forwarded for views/ comments by the respective conveners of Joint Working Groups (JWGs). The Minister directed to provide the requisite views/ comments on the draft minutes to CPEC Secretariat at the earliest.

Secretary Communication stated that the Chinese side has invited technical group (Pakistan side) on alternative alignment of RaikotThakot section of KKH to China in April 2023 to finalize the project proposal. Chair directed to convene the 10thJWG meeting on infrastructure prior to the visit to develop consensus on four MoUs- MMM, Babusar Tunnel, No-50 and M-9 - or resolve any pending issue.

Ministry of Foreign Affairs was asked to take up the matter with Chinese side for convening the JWG meeting on infrastructure at the earliest.

The Board of Investment (BoI) briefed on progress of JWG on industrial cooperation and noted that they had shared their feedback on JCC minutes with CPEC secretariat.

Minister for Planning, Development and Special Initiatives reiterated the importance of land allocation in SEZs on lease basis and asked the BoI to furnish concept paper as decided during the progress review meeting held on February 9, 2023.

China Power Hub Generation Company (Private) Limited (CPHGC) has requested CPPA-G to allocate maximum funds to ensure that the company can fulfil its financial obligations and provide uninterrupted power supply to the National Grid and avoid contractual defaults thereof. Recently, China's Charge d' Affairs met with SAPM on Coordination, Syed Tariq Fatemi and conveyed concerns of Chinese power companies saying that their overdue receivables have reached $ 1.5 billion.

SAPM on Coordination in a letter to Power Minister, a copy of which is available with Business Recorder, referred to his breakfast meeting with Chinese Charge d' Affaires, in which the latter stated that overdue payments to the Chinese IPPs currently stand at $1.5 billion. This is causing huge concern among Chinese businesses, he added. Chinese Charge d' Affaires complained that Chinese power plants at Hub, Sahiwal and Port Qasim are facing currency exchange restrictions, which was causing difficulty in coal import.

R 7-4-2023

SHC SEEKS DETAILS OF ACTION TAKEN AGAINST ILLEGAL FACTORIES IN KEAMARI

The Sindh High Court (SHC) on Thursday directed the Sindh advocate general to submit a comprehensive report on the findings and recommendations of the medical board that was set up after mysterious deaths were reported from the Mochko area of Keamari in January this year. The high court also sought details of action taken against the factories illegally established in Keamari. The directions came on petitions with regard to 19 recent mysterious deaths, most of which were of minor children, in the Keamari's Mochko area allegedly due to toxic gas emissions, as well as the similar mysterious deaths in Keamari in 2020. During the hearing, a division bench of the high court comprising Chief Justice Ahmed Ali M Sheikh and Justice Yousuf Ali Sayeed asked a provincial law officer and the police investigation officer about the progress in the investigation of these cases.

The SHC asked the Keamari SSP what action had been taken against police officials who did not conduct autopsy of persons died in the incidents. The SSP investigation submitted a progress report with regard to investigation into the deaths submitting that expert reports and post-mortem reports were awaited and after receiving the same, a final report would be filed.

The Sindh advocate general submitted that some factories had been sealed in the area and medical reports of four of the deceased had been received. He sought time to file a comprehensive report with regard to the medical board and its recommendation as well as action taken against the factories that were illegally established in the Mochko area.

The bench directed the advocate general, Keamari district commissioner and other officers to appear before court on the next hearing along with relevant record of the case. The Sindh health department had in its interim report mentioned that 19 mysterious deaths were reported from Ali Mohammad Goth, Mawach Goth UC 8, District Keamari, during 16 days from January 10 till 25. They all exhibited symptoms of fever, sore throat and shortness of breath followed by death in five to seven days. Furthermore, the symptomatic patients did not show any rashes or conjunctivitis, although the community complained of a severely irritating smell in the environment.

The petitioners, including right activists, had also approached the high court for ascertaining the cause of deaths in the Keamari gas leakage incident in 2020, in which 19 people had died and hundreds of others were affected due to mysterious poisonous gas leakage in the port area. They had submitted that the federal and provincial authorities failed to protect the lives of citizens and no precautionary measures were taken by the port authorities to prevent the deadly leakage. They sought an independent inquiry into the incident and a direction for the government to pay compensation to the legal heirs of the deceased persons and affected citizens.

TN 7-4-2023

DRAFT DATA PROTECTION BILL DOES NOT ADDRESS INDUSTRY'S MAJOR CONCERNS, CLAIMS AIC

ISLAMABAD: The Asia Internet Coalition (AIC) comprising global digital media giants raised several questions on "Pakistan Draft Data Protection Bill 2023" while saying it does not address a majority of the industry's substantive concerns such as stringent limitations on cross-border data flows and mandatory data localisation.

“In its current form, the Bill will have a negative impact on the ability of foreign internet companies to trade with and operate in Pakistan, hindering the country’s economic recovery and deterring foreign investment. Local Pakistani companies may lose access to cost-efficient global cloud services making them less competitive as they incur substantial costs to operate and maintain servers,” said Jeff Paine Managing Director AIC in a letter addressed to Amin ul Haque, Federal Minister for Information Technology and Telecommunication. A copy of the letter is also forwarded to Prime Minister Shehbaz Sharif.

MD stated on behalf of the AIC and its members, recommendations were submitted on Personal Data Protection Bill 2023, which was moved by Senator Afnan Ullah Khan as a Private Member Bill before the Pakistani Senate on 13 February 2023 (the Bill).

There are 16 core issues which have been identified in the Bill. Out of these 16 issues, the issues that have a material impact on the industry and business operations in Pakistan include: (1) the requirement to store personal data in Pakistan; (2) the regulator’s power to expand on the list of what constitutes “sensitive personal data” and impose further conditions for the processing of sensitive personal data; (3) prohibitions on certain types of processing for personal data of children; (4) the absence of “legitimate interest” as a legal basis for processing personal data; and (5) the regulator’s residual power to formulate specific regulations for “big/large data fiduciary/processors, along with other categories”, the letter read. “We find that the Draft Bill still does not address a majority of industry’s substantive concerns such as stringent limitations on cross-border data flows and mandatory data localization, overbroad and vague definitions of key terms such as sensitive personal data and critical personal data, and globally divergent data subject rights, as well as far-reaching powers of the Commission.

These provisions fall short of international standards for data protection (such as GDPR) and will adversely impact Pakistani consumers and businesses.

In its current form, the Bill will have a negative impact on the ability of foreign internet companies to trade with and operate in Pakistan, hindering the country’s economic recovery and deterring foreign investment. Local Pakistani companies may lose access to cost-efficient global cloud services making them less competitive as they incur substantial costs to operate and maintain servers,” MD added.

The letter further noted that the protection of personal data is an important component of any privacy framework, and we appreciate the opportunity to provide feedback on the Draft Bill. AIC and its members have worked closely with governments around the world in relation to the development of national personal data protection policies and legislation.

In doing so, we have witnessed first-hand the potential for such policies and legislation to effectively protect the privacy interests of citizens without hindering innovation and technological advancement. We recognize the on-going efforts of the Government of Pakistan and the Ministry of Information Technology and Telecomm-unications (MOITT) in further fine-tuning the draft legislation, but we continue to have concerns, particularly on cross-border transfer of “critical” and “sensitive” personal data.

The AIC requested for an industry meeting to better understand the views and priorities stemming from the Bill. This introductory meeting can also discuss potential areas of collaboration as well as opportunities for consultation that can further assist the government’s review of the Personal Data Protection Bill 2023. MD also welcomed a video conference meeting with the minister and his team.

The Coalition noted that the Private Member’s Bill does not address earlier industry concerns such as stringent limitations on cross-border data flows and mandatory data localisation. The Bill appears to impose a broad data localisation mandate on all personal data.

Section 30(1) of the Private Member’s Bill reads: “Every data fiduciary shall ensure personal data is stored on a server or data centre based in Pakistan.” While both previous and the latest MOITT Draft Bill provide certain additional legal bases for the cross-border transfer of personal data (e.g. explicit consent/binding contracts/international cooperation), the Private Member’s Bill only enables cross-border transfer if it is determined that the jurisdiction to which data is being exported offers equivalent protection.

The Coalition recommended for removing the requirement to store personal data on a server or data centre in Pakistan under Section 30(1) of the Bill; and b. remove the prohibition on the transfer of critical personal data and “some components of sensitive personal data” outside of Pakistan under Section 31 of the Bill.

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