NEWSCLIPPINGS

JULY TO DECEMBER 2021

ECONOMICS

Urban Resource Centre

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Global hunger

There is more than sufficient food for everyone in the world. Exact figures for 2020 are not available though, the United Nations estimates that at least 811 million people did not have enough to eat in 2020, according to a UN official. He describes the prevailing hunger situation in the world as a serious failure of the world's food systems.

In light of this situation, agriculture ministers and other relevant officials from UN member countries have assembled in Rome to deliberate on the issue before a summit to be held in September in New York aimed at bringing about improvement in the global food systems in the midst of rising hunger. Even prior to the coronavirus pandemic, the UN conceded that the world would miss the target of removing global hunger and malnutrition by 2030. In view of the anticipated failure, the summit will discuss ways and means to ensure adequate food to all in the world. Policymakers, civil society members, farmers and researchers are attending the preparatory meeting in Rome.

Activists are apprehensive that the UN would tilt in favour of agribusiness sidetracking sustainable farming and small farmers. This argument carries much weight as the shape of things to come is being witnessed in a neighbouring country. This largely agricultural country, allegedly at the prompting of international agribusiness interests, is trying, as farmer protesters claim, to impose corporate farming on cultivators. It is feared that the government's move would not only make farmers subservient to agribusiness but it would further push up prices of food, making access to food for the working classes even more difficult. Farmers are opposing the move vigorously.

Around one-third of the available food in the world is wasted while being handled at farms, in transportation, storage and at the kitchen level. It is at the kitchen level that most food goes to waste. People are deprived of food not so much due to shortage of it, but because they lack the purchasing power to buy food.
(By Editorial, The Express Tribune, 14, 28/07/2021)

SBP expects current account deficit to be 2-3pc

The State Bank of Pakistan (SBP) has kept the policy rate unchanged at 7 per cent in the hope that the current account deficit will remain in the range of 2 to 3pc of GDP in FY22.

Announcing the Monetary Policy for the next two months here on Tuesday, SBP Governor Dr Reza Baqir said: "Given expected resilience in remittances and an improving outlook for exports, the current account deficit is expected to converge towards a sustainable range of 2-3pc of GDP in FY22."

He said that as a result of positive developments, growth is projected to rise from 3.9pc in FY21 to 4-5pc during the current financial year, and the average inflation to moderate to 7-9pc this year from its recent higher out-turns.

The governor said the market-based flexible exchange rate system, resilience in remittances, an improving outlook for exports, and appropriate macroeconomic policy settings should help contain the current account deficit in a sustainable range of 2-3pc of GDP in FY22.

Pakistan's external position is at its strongest in several years. In line with the SBP projections in March 2021, the current account deficit fell to only 0.6pc of GDP. "This is the lowest current account deficit in 10 years, supported by all-time high exports and remittances," Dr Baqir said.

"Unlike several previous growth upturns in Pakistan, the current economic recovery would be accompanied by external stability," he added.

This was much lower than in FY17 and FY18, when the current account deficit increased to around 4 and 6pc of GDP, respectively, and foreign exchange reserves fell by $2 billion and $6.4bn, respectively.

The SBP governor said the country's external financing needs of $20bn would be more than fully met in FY22. "As a result, foreign exchange reserves are projected to rise further," he added.

Since September last year, the SBP's Roshan Digital Account initiative for Overseas Pakistanis has generated new financial inflows of $1.8bn, he said.

In July, Pakistan raised an additional $1bn through a tap issuance of its Eurobond that fetched $2.5bn in March. "In August, Pakistan's reserve buffers are expected to rise by another $2.8bn through the IMF's planned new global SDR allocation," said Dr Baqir.

He said that largely in line with other emerging market currencies, the Pak rupee has depreciated by around 4pc since the last meeting of Monetary Policy Committee in May.

The SBP governor said the Euro depreciated by 3.5pc against the US dollar, the British pound by 2.8pc and the Indian rupee by 2.5pc during the same period mainly because of appreciation of the American currency globally.

He said the budget deficit was expected to decline from 7.1pc of GDP last year to 6.3pc in FY22, on the back of strong growth in both tax (24.6pc (y/y)) and non-tax revenue (24.7pc).

The government had projected public debt to decline further to 81.8pc of GDP in FY22 from 87.6pc in FY20 and 83.1pc in FY21, Dr Baqir said.

The central bank believes that the private sector credit continues to recover primarily due to the low interest rate environment and SBP's support measures during Covid-19.

The governor said private sector credit was expected to grow broadly in line with nominal GDP in FY22.

Inflation fell from 11.1pc (y/y) in April to 9.7pc in June. For the first time since January, food prices fell on a month-on-month basis in June.

He said the headline inflation should begin to dissipate more visibly in the second half of the year when the February electricity tariff increase drops out of the base, converging to the 5-7pc target range over the medium term.

“The key risk that could lower inflation is resurgence in the pandemic domestically and globally,” he said.

In reply to a question, Dr Baqir said the banks had received applications for loans for low-cost housing worth Rs124bn and so far they approved Rs45bn.

He said the small and medium enterprises would soon receive a scheme that would allow them to borrow from banks without any collateral.

The SBP governor announced that Pakistanis in the country would also get Roshan Digital Account-like facility soon and open accounts without visiting a bank branch.
(By Shahid Iqbal Dawn, 01, 28/07/2021)

SBP’s high hopes

THE June spike in the current account deficit notwithstanding, the State Bank doesn’t look too worried about the gap between the country’s projected foreign payments and income getting out of hand during this fiscal. Announcing the monetary policy for the next two months on Tuesday, State Bank governor Reza Baqir said the bank expected the deficit to remain in the sustainable range of 2pc-3pc of GDP in FY2022. This is in spite of the likely growth in imports — though more moderately than in the previous year — on the back of robust domestic recovery and rebound in global commodity prices. The bank is also hopeful that the forex reserves position will continue to improve owing to adequate availability of external financing. Its prediction of a manageable current account deficit implies that it considers the sharp sudden spike in the latter to $650m and $1.6bn in May and June nothing more than an aberration triggered by certain one-off imports.

The last fiscal was good insofar as the balance-of payments position was concerned. Even though the current account deficit started to widen in the second half of FY2021 because of growing imports, the year ended with the deficit equal to just 0.6pc of GDP, the lowest in a decade and easy to finance with elevated remittances. Reserves increased by $5.2bn. The bank has noted that “Pakistan’s external position last fiscal was at its strongest in several years”. But that doesn’t mean all is well. In addition to the near-term likelihood of oil and commodity price volatility, medium- to long-term risks remain. The major threat comes from our inability to rapidly grow exports to finance the increasing import bill. Last year, exceptionally high remittances had come to the rescue of the government. What if these flows flatten or start sliding once Covid-19 travel restrictions are lifted? Also, successive governments have failed to make Pakistan an attractive destination for long-term, non-debt-creating FDI. Eventually, Pakistan has to depend on foreign currency loans to fill the gap and maintain forex reserves at a minimum threshold. No wonder the government and the State Bank are always looking to line up more debt from bilateral, multilateral and commercial sources even if they have to pay a financial and political price. The government should implement structural reforms to boost exports and FDI, as well as reduce its reliance on imported luxuries for longer-term external sector stability that is not built on borrowed dollars.
(By Editorial, Dawn, 06, 29/07/2021)

Petrol price raised as stocks plummet

As petrol stocks plummeted to three-five days’ consumption cover throughout the country, except Sindh, the government increased its price by Rs1.71 per litre and decided to change berthing order of various oil vessels.

A senior government official told *Dawn* that the country’s overall petrol stocks had fallen below 260,000 tonnes that were equivalent to less than 10 days of consumption. After excluding Sindh where petrol stocks are enough for about 30 days, the product’s availability in Punjab and Khyber Pakhtunkhwa is for less than five days and in Balochistan and northern areas for three days.

Higher consumption, high tide at the sea and poor planning and stock management were termed key reasons for the shortage.

Government decides to change berthing order of various oil vessels; OMCs seek removal of tax anomalies

To cope with the situation, the Petroleum Division on Friday requested the Ministry of Maritime Affairs to prioritise berthing of vessels carrying motor gasoline (petrol). “Keeping in view the critical demand/supply position of petroleum products, it is requested that sequence for berthing” of petrol be prioritised at Karachi Port Trust and Fauji Oil Terminal Company between July 31 and Aug 3, it said.

During this period, five ships carrying a total of 210,000 tonnes of petrol will be berthed at the two terminals — two ships belonging to Pakistan State Oil (PSO) and the remaining to Total Parco, Go and Shell Pakistan.

Sources said some disruptions were also caused by the delay in arrival of crude vessel of Byco Petroleum due to high tide and exhaustion of the product in its storage. A vessel belonging to Shell also faced delays due to high tide. Some supply problems were because of Hascol that is currently facing financial difficulties.

A recent drop in supplies from Iran through smuggling and security issues were also a reason behind lower stocks in Balochistan, the sources said. On top of that, the budgeting cost of refineries had increased because of upfront payment of GST following the recent federal budget.

The sources said that PSO being the largest supplier had reasonable supplies from Pakistan, Attock and to some extent Parco refineries, but smaller oil marketing companies (OMCs) were facing supply problems.

The sources said the government had been asking the refineries at monthly product review meetings (PRMs) to ensure supplies also to smaller companies, but practically such directives could not be implemented. The refineries contend they had long-term supply contracts with major oil marketing companies.

The berthing schedules of various vessels of different products were also disturbed by elimination of the role of the Oil Companies Advisory Council (OCAC) from the birthing priorities that affected the system. The resultant divided responsibility between the directorate general of oil and the Oil and Gas Regulatory Authority (Ogra) in the PRMs has so far not been helpful. As a result, such issues then reach the petroleum secretary's office for coordination with the maritime affairs ministry with a time lag.

Petroleum products' prices
Special Assistant to the Prime Minister on Political Affairs Shahbaz Gill announced through his Twitter account that the price of petrol was being increased by Rs1.71 per litre on the advice of Ogra, while that of diesel was being kept unchanged because it affected the common and farmers.

Interestingly, Ogra had worked out a reduction of Rs2.27 per litre in the price of high speed diesel but at the request of the Finance Division, the reduction was absorbed against an equivalent increase in petroleum levy.

The ex-depot price of petrol was increased by 1.5 per cent to Rs119.80 from Rs118.09 per litre. The price of kerosene was raised by 35 paisa to Rs87.49 per litre. The prices of high speed diesel (HSD) and light diesel oil (LDO) were kept unchanged at Rs116.53 and Rs84.67 per litre, respectively, according to Mr Gill's tweet.

On the other hand, the Oil Marketing Association Pakistan (OMAP), a representative body of oil marketing companies, on Friday asked the government to remove the anomaly in the levying of turnover tax applicable to the oil marketing sector by linking it to margins earned by oil marketing companies and reducing its rate to 0.25pc.

OMAP Chief Executive Officer Dr Ilyas Fazil, in a letter to Finance Minister Shaukat Tarin, said: "The rate of turnover tax (currently at 0.75pc) should be rationalised/aligned to remove all elements of discrimination and be reduced to 0.25pc in order to provide much-needed relief to cash flows and profits. Minimum tax should, moreover, be linked to the gross margins for OMCs rather than the revenues as OMCs have a very thin government-regulated margin."

He argued that the rate of 0.75pc has been fixed for OMCs without taking into account average profit to turnover ratio in the relevant sector, which is lower than many other industries for which turnover tax rate has been fixed at 0.25pc as it was levied on rice mills and distributors of pharmaceutical industries, the prices of whose products were controlled by the government like the OMCs that should be given a similar treatment for being a highly regulated sector.

Besides, he said, the dealers, sub-dealers, retailers and wholesalers of fast-moving consumer goods, sugar, cement and edible oil have been allowed discounted rate of 0.25pc under Clause (24D) of Part II of the Second Schedule to the Income Tax Ordinance, 2001, like OMCs.
(By Khaleeq Kiani Dawn, 01, 31/07/2021)

Thousands go hungry as almonries shut doors

Spirituality has always remained a vital part of ***Karachi's*** social fabric. The coastal city, which is home to more than 20 million people, houses over 341 registered and unregistered shrines; including the eternal resting place of one of Sindh's earliest saints.

These sanctums, which until March of 2020 would be frequented by tens and thousands of devotees every day, also functioned as some of the city's biggest almonries responsible for feeding millions.

However, owing to restrictions induced by the pandemic, closure of shrines has meant that all who relied on its meal centres for shelter and sustenance, have since been deprived of their daily bread.

According to Syed Mohammad Abrar Al-Anbiya, a spiritual figure associated with the shrine of Qutb Shah Alam, the concept of Langar (alms) exists at the very heart of shrine culture. "Until Covid-19, we had never gone a day without some devotee distributing langar among the indigent, who would routinely line up by the shrine's almonry. But now, since devotees are only allowed to recite Fatiha at the shrine's gate and leave, the concept of langars has also died down," he said.

Although, in the last year-and-a-half, shrines have been able to open doors between successive lockdowns, it has been difficult to breathe life into the once vibrant culture that employed thousands and offered sustenance to millions.

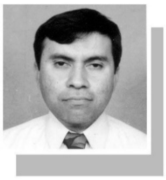
It is common to see a food centre or catering business located close to a shrine. Per Anbiya, these businesses depend on the shrine's pilgrims and devotees, who buy food from them and donate to the shrine's almonry. "Some pilgrims also bring their own food items, the most popular among which are plates of biryani, pulao, chickpea rice, kheer and halwa."

However, humans are not the only beings fed at these meal centres. It is also common for pilgrims to offer langar to the animals and birds who camp outside the shrine or dot the coastal skies. This tradition had merited the opening of several bird seed stores close to the shrines. "But since people have remained absent at shrines, our stores have gone without business and the birds without food," remarked Ahmed Saeed, a bird seed seller.
On the other hand, speaking in this regard Ahmed Dawood, who is a devotee of a local shrine, said that covid-19 has not wiped out the believers' yearning for spirituality, but certainly dampened it to a significant extent. He said that pilgrims still visit the shrines and distribute langar, albeit at a much smaller scale compared to the grandiosity of better times. "Small-scale langars still take place. People bring packets of food from their home and distribute among the needy."

Pappu, who runs a food centre close to Ghaib Shah's shrine in Kemari, said that the closure of these holy sites has had a severe impact on the business. Previously, he said, a single visitor or pilgrim would happily spend anywhere between Rs5,000 to Rs15,000 towards financing a langar. But now, since the few who manage to visit the shrines prefer to bring their home-cooked langar, food centres like Pappu's have been left in doldrums. "Most people employed in businesses associated with shrines are now considering a switch towards something more reliable," the caterer told The Express Tribune
(By Aamir Khan The Express Tribune, 04, 06/08/2021)

Displaced Afghans

AS Afghan Taliban fighters gain ground next door, the possibility of a mass exodus of Afghan civilians is becoming increasingly likely. Thousands of ordinary Afghans are leaving their homes as the conflict intensifies. Tragic memories of the Soviet-era war in Afghanistan are still fresh in the minds of the elderly Afghans who bore the brunt. Many left their country and arrived in Pakistan.



A sizable number of Afghans were accommodated in refugee camps set up and managed by the UNHCR, the UN refugee agency, and other supporting organisations. Hundreds of such camps were set up primarily in KP from where many Afghans came to various cities and towns, mainly Peshawar and Karachi. At one point, Pakistan hosted over 4.5 million Afghan refugees. According to the UNHCR, 1.4m still live in Pakistan with over 300,000 in Karachi alone.

As Afghanistan braces for further displacement, there are concerns of migration to neighbouring countries. The interior minister has said that Pakistan will follow the 'Iran model' in dealing with refugees. This model restricts refugees to camps in border locations and prevents them from entering cities and towns. Stricter border control is being discussed.

If Afghan refugees arrive in Pakistan, it will be very difficult to keep them in camps. Past experience shows that a number of them have social connections and will opt to live in Karachi. There are exclusive informal settlements where Afghans have continued to live for about four decades. The Afghan basti (settlement) along Sohrab Goth is an example. Afghans with meagre resources make it to such informal settlements that are spread across various locations in the city. Better-off Afghans are found living in Gulshan-i-Iqbal, the upmarket neighbourhoods of District East and even affluent neighbourhoods like Defence.

Refugees from Afghanistan will likely be drawn to Karachi.

Migration to Karachi is already high. The results of the 2017 census show that Pakhtuns constitute 15 per cent of the total population — one of the highest concentrations outside KP and Balochistan. With language and sociocultural affinities, Afghans generally find the Pashto-speaking population a huge social resource in the metropolis.

Research shows that while the UNHCR made possible the repatriation of Afghan refugees during better times, their footprint remains in Karachi where many young Afghans were born and raised. They never returned to Afghanistan and see Karachi as their future. Some well-connected Afghans have even acquired CNICs making them 'citizens'. While our agencies officially treat Afghans as foreign nationals, according them refugee status, the reality of their lives is different. Certain political parties also support citizenship rights for Afghans born and living in this country.

Karachi is thus an attractive city for newcomers. Most of Karachi's livelihood opportunities lie in the informal sector. There are many sectors where those of Afghan origin dominate. Waste management and enterprises related to trash collection, disposal and resource recovery have a sizable Afghan presence. These energetic entrepreneurs have upgraded their capacity. From isolated waste pickers and scavengers, they now run well-managed collection services, sorting and separation yards etc. They have also invested capital to acquire vehicles and rented premises to run their business. Various informal settlements in Karachi have these enterprises in abundance. At the other end, illegal activities, such as drug trafficking and gun-running, also absorb some sections of displaced people.

The challenges for the provincial administration, that acts in lieu of a local government, are considerable. How does the administration intend to accommodate new Afghan refugees? Do we have a city-level plan to extend urban basic services including healthcare and education? Has a coordination mechanism been worked out with the centre to deal with the matter? Unfortunately, although the migrant population adds substantial numbers to the city every year, there is no response with respect to housing and community facilities by the administration.

Parties that consider Karachi their traditional political bastion are averse to accommodating migrants, including Afghans. For them, the new population aligns itself with their political opponents. Such beliefs only deepen social fault lines. A rational approach to dealing with this impending situation is to begin a dialogue with the centre and prepare for the expected inflow of refugees.

Karachi already lacks a city plan to guide development and management trends. With more people — including Afghans — knocking at its door, an effective rehabilitation strategy is needed. The federal government can revitalise the National Alien Registration Authority to streamline the presence of non-citizens. A human crisis can be averted if proper plans and guidelines are in place and if there is no further delay.
(By Noman Ahmed Dawn, 07, 08/08/2021)

Unconditional $2.8bn from IMF due on 23rd: Tarin

Confirming that Pakistan will receive $2.77 billion 'unconditional' funds from the International Monetary Fund (IMF) on Aug 23, Finance Minister Shaukat Tarin on Thursday said the government would address the global lender's concerns over its proposed Rs1.6 trillion worth of Kamyab Pakistan Programme (KPP) and take forward the $6bn Extended Fund Facility currently "in recess".

Speaking at a hurriedly called news conference after a long post-budget gap because of his health issues, Mr Tarin said he had been promised by the prime minister to make him senator to continue as finance minister and he had no reason to doubt it would not materialise before the expiry of the remaining two-month constitutional window.

The minister said the IMF would transfer $2.77bn of the country's share to the State Bank of Pakistan (SBP) account on Aug 23 out of $650bn general allocation the Washington-based lending agency made to all its members to boost international liquidity challenged by the global health pandemic.

"Pakistan's share in the general allocation is 0.43 per cent and $2.77bn would be transferred to our account," he said. "This support is unconditional, has no cost, will increase our reserves and will have salutary effect on Pakistani rupee."

Minister says global lender's concerns over Rs1.6tr Kamyab Pakistan Programme to be addressed

The finance minister said the government would now decide how to utilise the additional funds, but made it clear that he would not allow wastage and ensure their productive use so that fiscal sustainability achieved so far was not affected.

Mr Tarin said he would not comment on the earlier $1.2bn Covid-19 emergency support as the Auditor General of Pakistan had written 34,000 audit paras and a lot of people would be writing replies, but "what I can assure is that these additional funds would be utilised with proper consultation to avoid any distortion in the economy. Nobody will be allowed to go shopping in malls while I am around".

Responding to questions about the IMF programme, the finance minister said he had a different approach to the programme when he assumed the charge and did not allow increase in power tariff and personal income tax as demanded because it was not progressive approach. Both demands would have impacted the economy while the country required economic growth, he added.

Mr Tarin said there was no economic growth over the past three years that created a surplus power syndrome, but even 7-8pc growth might not have absorbed the full capacity. "We have been able to defer Rs850bn payables to independent power producers (IPPs) to create fiscal space and address some cash flow problems," he said.

Because of different approaches on revenue and power sector, the IMF was asked to have a recess in the programme while the authorities show growth in revenue in two to three months. Fortunately, revenue performance in July has been 24pc higher than the target. The rationalisation of power tariff subsidies has also been submitted to the power regulator for proper targeting and will be settled in a month or so, he added.

"So the Fund programme is currently in recess but hale and hearty," the minister said, adding that dialogue with the IMF was also in progress on the Kamyab Pakistan Programme on which the Fund had certain normal and genuine concerns which were being addressed. He said revenue numbers for two-three months starting from June 2021 would be shared with the IMF soon for completion of its sixth review.

The Fund had raised some questions about the KPP and wanted their answers, but these could not be described as 'misgivings', he added. The questions pertained to the capacity of partner financial institutions and whether or not the government's guarantee would be 100pc, but these were no big issues and would be answered through a two-way dialogue, he said.

The minister said the programme would not be rolled back as it's the first-ever initiative taken for the poor and lower and middle classes and all risk mitigation measures had been put in place. He explained that agencies like Akhuwat, NRSP and Kashf had proven track record and had even delivered 99pc recovery rate during Covid-19 assistance. There would also be a proper oversight mechanism.

Conceding that the geo-political situation is not in Pakistan's favour in terms of IMF's engagements as had been a few years ago, Mr Tarin said the government was making honest efforts to show performance through structural reforms, increased revenues and improved power sector.

Responding to a question, he said he would soon share good news about Saudi oil facility. He also affirmed that inflation remained a challenge mainly because of higher food prices, role of middlemen and imported inflation. He said administrative actions to contain prices of sugar, wheat flour, ghee, etc, had been hampered by stay orders and the government was not creating strategic reserves through imports to flood the market.

The finance minister agreed that current account would be in the negative as growth picked up but would stay under 2.5pc of GDP unlike 6-7pc in the past. He also conceded that the Rs610bn revenue collection target through petroleum levy would not be achieved, but this would be compensated by some other sources which had not been disclosed in the budget. There would also be a major progress on the IPPs front to address some power sector challenges, he added.
(By Khaleeq Kiani Dawn, 01, 13/08/2021)

Country's paraplegic population deprived of access

Footbridges despite their global popularity to facilitate urban pedestrians are a relatively new concept in *Pakistan's* context reflected by the masses lack of sensitization towards them.

Their recent upsurge in the country's urban centers is a welcome development because it translates into a decrease in instances of people squeezing through road-dividing metal fences (often by bending the fence) to cross roads and pedestrian deaths.

However, the problem with footbridges in Pakistan, apart from their low numbers, is their disenfranchisement of the paraplegic population. Areeb, a 19-year-old differently-abled person from Lahore, terming the country's second most populous city's pedestrian bridges as meaningless for people like him, informed the Express Tribune that most people cross the road on these pedestrian bridges with their buffaloes and goats.

Even if livestock crossing's were stopped the city is not differently-abled person friendly. Usman Sheikh, a job-seeking special needs person, feels this on a personal level as the thought of crossing Lahore's busy roads is daunting to him."My ID card highlights my disability with a wheelchair sign but the government has done nothing to facilitate me. The pedestrian bridges are of no use to me as I cannot cross them alone on my wheelchair," he said.

Shortcut for motorcyclists
While other cities' footbridges might be lucky as to not be used by livestock, they are prey for motorbikes. For instance, in Karachi, the three wheelchair ramps that exist, on the city's measly count of 130 pedestrian bridges, built in the last 40 years, are inaccessible due to the former city government installing barriers to prevent motorcycle entry. To illustrate further, at the Natha Khan bus stop on Shahra-e-Faisal, the traffic police has completely blocked the ramp by placing a 3 feet high concrete barrier. Raza Hussain, Executive Engineer at Traffic Engineering Bureau of Karachi Development Corporation, while talking to Express Tribune, said that barriers were installed on the ramps because it was not possible for his organization to stop the entry of motorcyclists. "We cannot do the traffic police's job for them," Hussain remarked. Apart from pesky bikers, Karachi's footbridges are dysfunctional. An official of the Traffic Engineering Bureau (TEB) of the Karachi Development Authority told the Express Tribune on condition of anonymity that at present 112 pedestrian bridges are under the control of TEB but due to a lack of funds and qualified staff these are useless.

The supposed trendsetter that is the federal capital and its neighbor Rawalpindi, do not offer much hope either. Talking to the Express Tribune, Naveed Ikram, President of the Disabled Persons Association, said, “we face severe difficulties on the bridges in Islamabad and Rawalpindi as most of the ramps paved are fit for motorcyclists’ use not for wheelchair users.” The twin-cities share a tally of roughly 30 pedestrian bridges but as per Ikram, the elevation of ramps on these bridges and the material used in their construction are not good for a wheelchair. Assistant Director, Asif Mehmood, of the Capital Development Authority (CDA), offering some hope said, “in the future we will build bridges with a separate slob path for both paraplegics and motorcyclists.”

A similar ray of hope for Rawalpindi is not on the cards though as currently 3 new footbridges are being constructed in the city at an estimated cost of Rs. 100 million, as per Rawalpindi Development Authority (RDA), and none includes a safe passage for wheelchair users.

Insufficient public transport infrastructure
Even Pakistan’s multi-billion rupee public transport infrastructure does not accommodate wheelchair users. Islamabad’s Metro Bus service stations’ elevators and escalators for special needs persons are not functional. Several users of the service informed the Express Tribune that these elevators and escalators were in good condition when the service started operating, now most of them have become mere exhibits.

Such a conundrum exists in Peshawar too. Irfan Ullah, the representative of an NGO for paraplegics, talking to the Express Tribune said, “the initial feasibility report of the multibillion [Bus Rapid Transit (BRT)] project had completely ignored people who cannot walk which is why I went to court against the project.” Despite the fact that there are now clear court orders after Irfan’s case, Peshawar’s BRT has yet to give access to paraplegics. The city in general does not offer many pedestrian bridges so facilitating differently-abled persons is a long shot. “No, there is no ‘access’, let alone safe road crossings for Peshawar’s pedestrians,” Irfan told the Express Tribune.

Unable to navigate cities on their own and deprived of public transport facilities, the country’s paraplgeic population is resigned to paying high rickshaw and cab fares. Sofia Naveed, resident of Lahore, is a 37-year-old polio victim who cannot walk, informed cabbies charge her more because as per the drivers they have to travel more than a ‘normal ride’ to get her to her doorstep. Karachi resident, Muhammad Asim, seconding Sofia, said, “I have to take an expensive rickshaw ride just to cross the road all due to dysfunctional pedestrian bridges.”
(By Muhammad Ilyas, Ashraf Ali, Qaiser Sherazi, Umer Farooq The Express Tribune, 02, 23/08/2021)

Bike riders become essential part of Covid-era economy

Most of us constantly come into contact with riders, sometimes daily. Most seldom give them a second glance.

When 25-year-old Imran asked for water while delivering a parcel to a house during an extremely hot day, the person he asked was taken aback. “It was almost as I was not seen as a human,” he laughed. “I felt weird but it was very hot and I didn’t have any water. I usually keep my contact minimum.”

Imran, who has been working as a rider for a company for a couple of years, didn’t mind the reaction. He is aware that he is invisible to most people but he knows how important his job is. “It’s just like other people working in essential services — most of us are invisible but important. Like the people at a petrol station, how many of us even look at them. They are just voices and shadows in your lives, but if they are not there, it will be difficult to function.”

Recently, riders like Imran have become even more important for the economy as it has shaped over the past year or so with many businesses going online.

‘Everyone who has a bike can join with small or no investment and earn’

Pakistan has seen a rise in demand for businesses over the last year or so, especially since the Covid pandemic has restricted mass movement. Online shopping and delivery have become a big part of our lives, especially the younger generation.

There are so many issues that have to be addressed about motorcycle transport in Pakistan, which is rising rapidly. Planning and appraisal of the policies are needed but this can only be done if proper research is done on this topic.

One person who is aware of the importance of riders is Engineer Murtaza Asad. Asad who is a member of the PSQCA for road safety, road traffic safety management systems, is conducting an important research on bike riders in Pakistan.

Commenting on his research, Engineer Asad said that the employment opportunities created for bike riders are phenomenal and are an improvement on the services that were already being provided by people like electricians, milkmen, and others.

“In this research, we are studying how the unemployment online is tackled by employing bike riders and what are their basic needs such as health, road safety, and maintenance.

Asad has been involved in different projects from which riders will benefit like getting a basic degree, learning new skills, and adding value to their skills to help them in building a professional profile. This is important for the rider and the industry as a whole.

“Our research will help a rider to find out his niches in the industry and improve on them. And for the first time, he will get a letter of experience which will highlight his positives and strengths — for example, what are his interests and where will these interests and skills be better used. If he is good at delivery, customer service, or paperwork. This research will provide data to help companies understand the type of riders’ services they can have,” he said.

Engineer Asad and his team are working on research that has not been done anywhere else. “Our research extends across Pakistan and work is still being done but slowly. The main reason for this is lack of funds for the project. It seems no one wants to invest in this industry, even though it is fast-growing employment — everyone who has a bike can join with small or no investment and earn.”

He said: "We still have to study more than 3.5 million bikes across Pakistan but the funds are the biggest hurdle for this and we are not being supported by anyone. [A private university] had shown interest and was going to sign with us, but it didn't work. The government is not interested in this project for some reason. The National Transport Research Center (NTRC), Sir Syed University (SSUET) and Transport Engineering Services (TES) all supported the endeavour."

Lifeline for overseas Pakistanis

Riders are also important for another section of society, the parents and families of Pakistanis living abroad who need someone to trust to step in to help to do chores, etc.

This is where Yasir Shirazi comes into the picture. He lives in the US and was constantly thinking of ways to alleviate the burden from his parents' shoulders, getting things done for them through someone he could trust.

And so he set up InstaKin in 2019 as its founder and CEO and this is his story: "InstaKin's story is my own story. Almost every migrant I have spoken to can relate to it. I have been an overseas Pakistani for the last 12 years. Like many others, I still need to get tasks accomplished in Pakistan (paying bills, etc). Over the years, I noticed that most overseas Pakistanis specifically (and overall migrant communities in general) would always complain that they are always dependent on busy friends or extended family to manage tasks on their behalf. This causes time-sensitive delays (unfortunately, sometimes there is also misuse of remittance funds)."

Through Shirazi and his team have helped thousands of migrants by providing services like hiring a rider via Instakin for getting medicines delivered to parents in Pakistan (through a service for it known as InstaRunner); getting educational and legal documents attested from back home; sending gifts to loved ones on special occasions; ordering consumer electronics and appliances that can be delivered to family back in Pakistan; hiring an event planner for a family celebration and maybe the most important, paying bills for family back home.

The InstaRunner will help generate new employment opportunities in the country and they estimate that more than 3,000 new jobs will be created directly and via the vendor network over the next two years.
(By Lubna Jerar Naqvi Dawn, 13, 24/08/2021)

Sindh's census concern

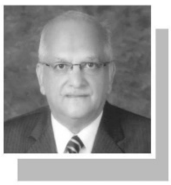
The Sindh government is lawfully on the right side of the fence as it brings to the fore its reservations on the disputed census of 2017. It is joined by the MQM, irrespective of being a political adversary, which also believes that the province has been wronged during the head count. The controversy over census gained momentum as the Council of Common Interests and the federal cabinet approved its results by altogether ignoring the province's concerns. MQM's sitting minister had written a dissenting note, too. The issue, which has been simmering for almost three years, is now gathering storm as local bodies elections are on the cards. Political parties believe that delimitations of constituencies on the latest census will rob them of their clout.

Sindh Chief Minister Syed Murad Ali Shah wants a joint session of the parliament to threadbare discuss what he calls the faulty and fraudulent census count. His earlier calls have fallen on deaf ears. It is interesting to note that even Prime Minister Imran Khan has sympathised with Sindh over the irregularities reported in the 2017 census, and promised to allocate funds for a recount. Likewise, the Sindh government had agreed to partially foot the bill, but the Trojan horse hadn't made any headway.

Apart from being a constitutional issue, it also pertains to the fundamental rights of the people of Sindh. Sindh's population should be around 61 million as opposed to 48 million reported in the 2017 census. Karachi, being the bastion of development and revenue, had attracted millions of people from upcountry in the last two decades. Yet, the urban population has been underreported by 25 per cent.
This issue demands immediate attention and a lawful solution. Lingering it on will widen the trust deficit between the federation and the province, which already carries a list of grievances against the Centre. At the same time, it has a political connotation, as allocation of resources under the NFC Award is made on the basis of population, as well as seats in the legislative assemblies. The Centre and the province would be advised to sort it out amicably without hardening their respective positions.
(By Editorial, The Express Tribune, 14, 26/08/2021)

Wage administration

THOSE who work in industrial and commercial establishments usually fall under the management and non-management categories. If there is a workers' union, the latter can be called the unionised staff. Within these categories, there is further division into technical and non-technical staff, the former being more in demand and better paid than the latter as they are considered the organisation's source of income.



However, at a US company at Daharki, Sindh, where I worked, the management staff was referred to as 'management professional and technical' while the non-management staff was called 'non-management professional and technical'. Referring to an employee as 'non-technical' was considered degrading and equal professional status was maintained.

Equal emoluments and perquisites were given to professional and technical employees employed in the same grade, with a similar number of years of work experience. This boosted employers' morale and they endeavoured to perform their best.

In progressive organisations, HR professionals determine the compensation levels of management employees. They carry out salary surveys of comparable companies where similar jobs exist, and seek guidance from books on fixing salaries. Jobs are evaluated by committees constituted for this purpose. Consequently, compensation is fixed to the entire satisfaction of the management employees.
Almost all countries revise minimum wages from time to time.

In the case of non-management employees, organisations with Collective Bargaining Agent unions periodically negotiate with the latter and reach an agreement regarding increases in salary and benefits. In organisations without CBA unions, the process of wage determination of non-management employees is not that smooth despite the existence of numerous labour laws guaranteeing their rights.

As per the Payment of Wages Act, 1936, wages are regulated in the case of certain classes of workers employed in an industry. It provides for the payment of wages, fixation of wage periods and the time of payment of wages. The law also limits the kind of deductions which may be made from the wages of a worker in order to restrain the employer from taking unauthorised action.

The Minimum Wages Ordinance, 1961, provides for regulation of minimum rates of wages. The Minimum Wage Board constituted under this ordinance, has besides the government, representation from both employers and the workers in a province. The board is authorised to recommend the minimum rates of wages for jobs.

The minimum rates of wages for unskilled workers in certain commercial and industrial establishments are fixed under the Minimum Wages for Unskilled Workers Ordinance, 1969. Almost all countries in the world keep revising their minimum rates of wages periodically or whenever the need arises. The level of minimum wages indicates the general structure of compensation of industrial workers in the country.

Prior to the 18th Amendment in April 2010, minimum wages for unskilled workers were the same in all the provinces of the country. On the abolition of the Constitution's Concurrent List, labour laws were devolved to the provinces, which started fixing their own rates of minimum wages and taking out notifications to that effect. Nevertheless, with a few exceptions the rates remained the same.

In July 2014, while the minimum wage was fixed at Rs12,000 per month in all the provinces, the PTI government in KP made it Rs15,000 per month, which was challenged by employers before the Peshawar High Court. In March 2015, the court suspended the notification issued by the government which had to take it back. The retrospective fixation of the minimum wage at Rs12,000 per month, effective from July 2014 caused loss of arrears to workers.

A similar situation has arisen in Sindh which has fixed the minimum wage for unskilled workers at Rs25,000 per month, effective from July 2021. This amount constitutes a 43 per cent increase over the previous amount of Rs17,500. The federal government has fixed it at Rs20,000; Punjab and Balochistan have also fixed it at Rs20,000, while the amount in KP is Rs21,000. Three separate writ petitions have been filed by employers' bodies before the Sindh High Court challenging the Sindh government's fixing the minimum wage without routing it through the Minimum Wage Board.

According to the Pakistan Institute of Labour Education and Research, the minimum income of a worker should be at least Rs35,000 per month, which appears to be a more realistic assessment. Fixing the minimum wage in each province should be based on objective criteria and not political expediency. Besides, the mandatory legal requirement of prior consultation with the two main stakeholders — the representatives of employers and workers — should not be bypassed by the provincial governments.
(By Parvez Rahim Dawn, 07, 31/08/2021)

SHC recommends interim minimum wage

The *Sindh* High Court recommended on Wednesday that an interim minimum wage be decided among parties till the court decides on the petitions filed by traders and industrialists challenging the Rs25,000 minimum wage notified by the provincial government.

A two-member bench comprising Justice Salahuddin Panhwar and Justice Adnanul Karim Memon fixed September 13 as the date for hearing.

The court expressed annoyance at the appointment of a temporary chairperson for the wage board and gave two weeks for the permanent appointment of an expert in the relevant field within two weeks.

The petitioners' counsels contended that the government exceeded its bounds by not taking into account the recommendations of the wage board.

They maintained that the Rs25,000 minimum wage will burden industries, compelling some businesses to close shop.

The bench fixed the hearing for September 13 and proposed that an interim minimum wage be set.

Replies sought
Another two-member bench comprising Justice Irfan Saadat Khan and Justice Muhammad Faisal Alam issued notices to the Karachi Metropolitan Corporation and the Sindh Building Control Authority over a petition pertaining to illegal occupation of a KMC building near Jamshed Quarters.

The petitioner's counsel contended that the encroachment mafia had carried out construction work on the nullah adjacent to the KMC office and cut down ancient trees. The bench sought replies from the KMC and SBCA and adjourned the hearing till September 28.
(By Newspaper's Staff Reporter, The Express Tribune, 04, 09/09/2021)

Utility Stores losses

With many of its outlets across the country running in losses, the Utility Stores Corporation (USC) has jacked up the prices of many items. Various brands of ghee and cooking oil have become dearer by Rs90 and Rs70 per 5kg respectively. Moreover, the prices of spices, tomato ketchup, custard, pudding as well as soap and tissue paper have also gone up with immediate effect.

During the previous tenure — led by the PML-N — the USC had incurred an accumulative loss of Rs9.4 billion; and it seems not much has changed with the PTI taking over the reins of the government, more than three years back. The corporation has failed to curb pilferage, theft and other irregularities, and continues to suffer losses. The fresh raise in prices appears to be an exercise to offset the impact of these losses.

The situation clearly indicates that the relevant authorities are only trying to control the losses at the expense of the people. What is even more disconcerting is the fact that the situation has not been investigated. Claims made by officials are rudimentary at best, while their actions and recommendations may provide temporary relief. It is feared that if the situation persists, the government might resort to shutting down more outlets and laying off employees, as it remains the easiest way out for those at the helm. This perpetual cycle will continue to repeat itself unless and until long-term solutions are sought.

A systematic approach is required. The first step should be to conduct a holistic research into finding out the core reason behind such losses, while particularly taking into consideration the rural-urban divide. Then the social dynamics must be assessed and stores need to be relocated to those areas where demand and purchase is high. However, all this must be done in a human-centric way. The needs of the people must be the topmost priority.
(By Editorial, The Express Tribune, 14, 13/09/2021)

Refusing audit

THE continuous resistance put up by several public-sector organisations to submitting their accounts for audit by the auditor general of Pakistan is hard to comprehend. The AGP office has informed a Senate panel that more than two dozen public-sector entities, including federal, provincial, autonomous and semi-autonomous companies, are refusing audit, prompting the parliamentary committee to start a debate on the issue of the constitutionally mandated scrutiny of their accounts at length in its next meeting. These entities, which include a commercial bank, oil and gas firms, railway, investment companies etc, as well as certain ministries and entities under them, have so far not come up with any substantive reason for their refusal to submit to the inspection of their accounts by the AGP. This is in spite of the law ministry's opinion that every rupee paid by or due to the state is subject to audit under the Constitution. The law ministry has also pointed out that the Public Finance Management Act, 2019, mandates that wherever exchequer money is involved it should be open to audit. The refusal of some of these entities like the National Bank to submit to AGP scrutiny is even more perplexing since their accounts are audited internally and externally every year to meet the regulatory requirements.

Scrutiny of accounts of any public-sector organisation is essential for ensuring that the taxpayers' money is used in a transparent and efficient manner, as well as to protect them against fraud, corruption, extravagance and bad governance. Thus, the periodic assessments by the AGP to ensure that state resources are being deployed by a particular entity responsibly and effectively are necessary to hold them accountable to the public, improve their operations and governance, and bridge the trust gap between them and the taxpayers. In recent years, the world has moved beyond financial audits of the public-sector organisations to the scrutiny of their performance and efficiency. Pakistan also needs to move in this direction for effective use of the taxpayers' money.
(By Editorial, Dawn, 06, 17/09/2021)

Additional tax imposed on non-filer entities

The federal government has imposed additional sales tax ranging between 5 and 17 per cent on supply of electricity and gas to the non-filer industrial and commercial entities in an attempt to broaden the tax base.

The additional taxation on the industrial and commercial entities that did not exist on tax roll — income tax and sales tax — was one of the budgetary proposals given by the Pakistan Business Council.

According to a notification (SRO1222 of 2021), the additional sales tax will be levied on the total billed amount excluding the amount of federal taxes besides the tax payable on supplies of electricity and natural gas to persons having industrial or commercial connections.

The additional levy will only be applicable to those entities that have not obtained sales tax registration number or are not on the active taxpayers list maintained by the Federal Board of Revenue (FBR).

A flat rate of 17pc was imposed on supplies to unregistered industrial entities on a monthly basis. This will be in addition to the tax payable on supplies of electric power and natural gas to persons having unregistered industrial connections.

However, different rates were notified for unregistered commercial entities.

The additional sales tax rate will be 5pc on total billed amount up to Rs10,000 whereas 7pc rate will be charged on the billed amount between Rs10,001 and Rs20,000. The rates would be 10pc, 12pc and 15pc in case the bill amounts range from Rs20,001 to Rs30,000, Rs30,001 to Rs40,000, and Rs40,001 to Rs50,000, respectively.

For all the unregistered commercial entities, 17pc additional sales tax will be charged on the bill amount above 50,000 per month.

Immunity from inquiry
Through presidential ordinance, the government has also provided immunity from inquiry to an amount, up to Rs5 million, remitted through Money Service Bureaus (MCBs), Exchange Companies and Money Transfer Operators such as Western Union, MoneyGram and Ria Finance. Currently, the facility is only available on money remitted through banking channels.

The ordinance has allowed National Database and Registration Authority (Nadra) to share its records or any information available or held by it, on its own motion or upon application by FBR. The FBR may forward such information to the concerned income tax authority having jurisdiction in relation to the subject matter regarding the information, who may utilize the information for the purposes of income tax.

The ordinance has also allowed Nadra to compute indicative income and tax liability — create a relationship between expenses such as air travel expense paid through debit/credit cards and declared incomes and assets and may create risk scores for further probe by the FBR.

Subsequently, such indicative income and tax liability will be communicated to the person to whom it relates. And such person will have the option to pay such as prescribed by the FBR. In case the person did not pay such liability within specified time, the FBR will take action under income tax ordinance on the basis of incomes and liabilities computed by Nadra.

After giving taxpayers data access to Nadra, the FBR has also abolished Section 198 that says a person who discloses any particular confidential information of a person will commit an offence punishable on conviction with a fine of minimum Rs500,000 or imprisonment for a term of maximum one year, or both. As a result, the apex probe agency can now access profiles of taxpayers without any restrictions.

The penalties for non-filing of tax returns are revised upward. The penalty will be 0.1pc of tax payable for each day of default or Rs1,000 a day, the maximum penalty will be 200pc of tax payable. The minimum penalty will be Rs10,000 if 75pc or more is salary income while it will be Rs50,000 in other cases.

Through the ordinance, the reduced rate of tax is extended to the steel sector and the exemption on minimum tax on turnover was extended to locally manufactured mobile phones.

Professionals working from home

The federal government through the ordinance introduced an additional withholding tax ranging between 5pc and 35pc to be collected from professionals including accountants, lawyers, doctors, dentists, health professionals, engineers, architects, IT professionals, tutors, trainers and other persons engaged in provision of services not appearing on active taxpayers list and operating from residential premises having domestic electric connections from distribution companies (Discos).

The tax collected in this case from domestic consumer will be adjustable, but it has not been clarified how Discos will identify those professionals working from domestic premises.

The FBR can direct the gas and power distribution companies for discontinuing the supplies to any person, including tier-1 retailers, who fail to register for sales tax purpose; or notified tier-1 retailers registered but not integrated with FBR's computerised system. However, upon registration or integration, the FBR will notify the restoration of their gas or electricity connection through Sales Tax General Order.

Through the ordinance, the penalties were revised upward massively for those who fail to integrate their businesses with the FBR. The minimum penalty is Rs500,000 for the first default and a maximum of Rs3 million for a third default. If such person fails to integrate his business within 15 days of imposition of penalty for a fourth default, his business premises will be sealed till such time he integrates his business.
(By Mubarak Zaib Khan Dawn, 03, 19/09/2021)

WB's decision to discontinue 'Doing Business Report' irks Islamabad

The World Bank's decision to discontinue 'Doing Business Report' has irked Pakistan which was confident that the country would make a big jump in the next report to improve the current ranking of 108th to 75th position this year.

During the last two years, Pakistan advanced 39 places to secure 108th place on the ease of doing business global ranking. The companies' registration through the Securities and Exchange Commission of Pakistan (SECP) has shown a 63 per cent growth and 99pc of these registrations were done online while 45p applicants were issued registration certificates on the same day.

Commenting on the World Bank's decision, Board of Investment (BoI) Secretary Fareena Mazhar was confident that the work which the BoI was doing in the context of regulatory reforms would provide an edge in terms of any future mapping criteria.

BoI says regulatory reforms will give Pakistan an edge in terms of future mapping criteria

The World Bank said in a statement that it would be working on a new approach to assessing the business and investment climate in the countries.

Last month, the BoI in collaboration with the World Bank Group launched the Seventh 'Reform Action Plan' which focused on improvements in firm entry regulations, reliability of electricity, tax regulations, trade regulations, creditors' rights, better property rights, and court efficiency, etc., as reforms in these areas play a major role in accelerating economic development.

The concerted effort of the BoI and federal and provincial agencies has resulted in implementation of major reforms that are resolving decades-old grievances of the private sector.

One of the most noticeable reforms has been the promulgation of commercial courts in Punjab. The milestone initiative brings down the dispute resolution from 1,000 to 180 days.

Similarly, Pakistan has joined the league of fewer than 10 jurisdictions globally that offer single certification system. The single certificate can be applied at the SECP portal. Digitisation of land records is another landmark reform that eliminates on ground inspection by introduction of Geographical Inspection System.

The World Bank statement says after data irregularities on Doing Business 2018 and 2020 were reported internally in June 2020, the bank management decided to pause the next 'Doing Business Report' and initiated a series of reviews and audits of the report and its methodology. The bank's decision is based on a 16-page investigative report which says four countries manipulated their rankings in 2017 and 2018 reports.

In January this year, the World Bank group carried out investigations to review the internal circumstances at the bank that contributed to the data irregularities identified in the Doing Business 2018 and 2020 reports. Investigations were made to understand how improper changes to the data for China and Saudi Arabia, the United Arab Emirates and Azerbaijan were effected, and who at the bank directed, implemented, or knew about the changes to the data and how their direction or pressure manifested; and what internal circumstances whether related to policies, personnel, or culture, allowed for the changes to take place.

The WB says: "Trust in the research of the World Bank Group is vital. World Bank Group research informs the actions of policymakers, helps countries make better-informed decisions, and allows stakeholders to measure economic and social improvements more accurately. Such research has also been available tool for the private sector, civil society, academia, journalists, and others, broadening understanding of global issues.
(By Amin Ahmed Dawn, 03, 19/09/2021)

Banking for women

AS the old adage goes, the proof of the pudding is in the eating. How far the new State Bank initiative — 'Banking on Equality: Reducing the Gender Gap in Financial Inclusion' — will help remove the barriers to women's access to banking and financial services, only time will tell. Yet the first of its kind mainstreaming effort for the financial sector, which introduces a gender lens in our banking practices, is creditable. The policy aims to boost the number of active women-transaction bank accounts from the existing 14.5m to around 20m by 2023 and increase female participation in the workforce of financial institutions from 13pc to 20pc by 2024. In the given circumstances, the targets seem ambitious. But these are achievable with a little bit of push from the central bank and increased use of technology.

Improved gender diversity in financial institutions, creation of women desks at bank branches to facilitate female clients and the development of women-centric products and services as envisaged in the policy should largely take care of supply-side barriers. The collection of gender-disaggregated data and institutionalisation of a policy forum on gender at the State Bank can push banks to meet policy targets. The recent extension of the facility to open bank accounts digitally to resident Pakistanis should help boost the financial inclusion of women. It is not clear if these initiatives have done away with any condition for the 'validation' of a male family member for an adult woman to become part of the banking system. If it hasn't, it should be dismantled immediately.

Currently, women are disproportionately under-served by the country's banking system. Reports show that women can be forced to move towards informal means to meet their borrowing and savings needs. A State Bank survey showed only 5pc women savers used formal channels in 2015 and the Pakistan Microfinance Review 2019 put the total number of female borrowers at just 3.8m. Little wonder then that the World Bank in a 2018 report strongly underscored the importance of always keeping women at the centre of financial inclusion since their access to a secure and private means of savings and financing is closely linked to their social empowerment and enables them to contribute positively to economic growth, and creates opportunities for them. Thus, President Arif Alvi was spot on when he said that opening bank accounts for women was just one way of financial inclusion. It would open up avenues for them to access credit, payments, insurance and other financial services at an affordable price. Bridging the gender gap in financial inclusion will be challenging since the causes go beyond access to services and are rooted in social values and norms. Nonetheless, the shift from gender-blind and gender-neutral practices to women-specific efforts envisaged by the new State Bank policy should go a long way in empowering them economically.
(By Editorial, Dawn, 06, 20/09/2021)

Karachi commissioner told to consult dairy bodies, SFA for sale of milk at notified rate

The Sindh High Court on Tuesday directed the Karachi commissioner to sit together with officials of the Sindh Food Authority (SFA) and representatives of milk associations and chalk out a plan to ensure the quality of fresh milk as well as its sale at official price.

A two-judge bench headed by Justice Mohammad Iqbal Kalhoro also asked the commissioner to submit a proper statement containing guidelines approved on Oct 21.

On the previous hearing, an assistant commissioner had assured the court that milk would be sold at notified rates in the city.

However, when the bench took up a set of petitions about milk price and its quality, the official was found absent without any intimation.
27 FIRs of BTK violence case are being quashed, prosecutor tells SHC

The bench said that reports submitted by the authorities concerned suggested contrary and conceded the fact that notified price of milk was not being maintained.

The director-legal of the SFA submitted that they were regularly conducting raids on milk shops across the province to ensure quality of the product and imposing fines where milk was found adulterated.

However, the bench observed that despite such steps good results about quality of milk had not been achieved and thus, material and out-of-box steps be taken in collaboration with representatives of milk association to ensure quality and price.

It asked the commissioner to file a detailed statement after holding the meeting on the next hearing to achieve the objectives in question so that the same would be made part of the court order for strict compliance thereof under the supervision of court.

27 of 33 BTK violence FIRs being cancelled
An additional prosecutor general (APG) on Tuesday informed another SHC bench that 27 of the 33 FIRs lodged in connection with the June 6 violence during a protest demonstration against Bahria Town Karachi (BTK) were being cancelled.

The APG and investigating officers submitted that 27 cases were being recommended for disposal in C-class (cancelation).

The bench headed by Justice K.K. Agha directed the IOs to file such reports before the magistrates concerned/antiterrorism court-I within two days and also asked the courts concerned to pass an order on such report in five days.

It also summoned the SSP-Investigation Malir for Sept 28 along with a report containing details of each FIR in which recommendations for C-class had been made as well as the decisions of the courts on such reports.

The bench also directed the APG for English translation of the remaining FIRs in which interim charge sheets had already been filed before the next hearing.

It said it would hear arguments as to whether these FIRs arising out of the same incident can be charge-sheeted and what legal consequences would be depending upon the legality of filing multiple cases of one incident.

The petitioners, leaders of several nationalist groups, approached the SHC seeking quashment of the FIRs stating that multiple FIRs over a single incident could not be registered.

German vet to check health of four elephants
The SHC on Tuesday allowed a request to appoint a German veterinarian to verify the health condition of four elephants being kept at Karachi Zoo and Safari Park.

The lawyer for the Karachi Metropolitan Corporation (KMC) submitted that they were ready to pay the fee of head veterinarian of the IZW Frank Goritz.

However, the bench headed by Justice Irfan Saadat Khan said that fee of the expert should be shared by petitioners and KMC equally.

A non-governmental organisation for animals had petitioned the SHC seeking the shifting of the elephants to an appropriate habitat.
The KMC contended that elephants had no health issues and need no medical assistance.
(By Ishaq Tanoli Dawn, 13, 22/09/2021)

SBP puts brakes on financing for imported vehicles

Ballooning trade and current account deficits have forced the State Bank of Pakistan (SBP) to slow down import growth with changes in prudential regulations and reduce the financing limit and period, particularly for imported vehicles.

The central bank on Thursday revised prudential regulations for consumer financing. "This targeted step will help moderate demand growth in the economy, leading to slower import growth and thus supporting the balance-of-payments," said the SBP.

The country is facing a serious problem of balance of payments with a burgeoning trade deficit due to very high import growth which was earlier termed essential for economic growth. The current account deficit rose to $1.5bn alone in August indicating it may surpass the SBP's projection of 2 to 3pc of GDP for FY22 with a wide margin. The current trend clearly shows a much higher deficit is awaiting the country.

"The changes in the prudential regulations effectively prohibit financing for imported vehicles, and tighten regulatory requirements for financing of domestically manufactured or assembled vehicles of more than 1,000cc engine capacity and other consumer finance facilities like personal loans and credit cards," said the SBP.

According to new changes, the maximum tenure of auto finance has been reduced from seven to five years. Auto industry is flourishing while the demand is still very high.

Maximum tenure of personal loan has been reduced from five to four years — another step to curtail higher use of personal loans which has been used to buy vehicles.

The amended regulations said the maximum debt-burden ratio, allowed to a borrower, has been decreased from 50 to 40pc.

It further said that overall auto financing limits availed by one person from all banks and DFIs, in aggregate, will not exceed Rs3,000,000 at any point in time while minimum down payment for auto financing has been increased from 15pc to 30pc.

"All these steps have been taken to slow down imported vehicles and easy financing for it. It will work to reduce the buying of imported as well as local luxury vehicles," said Samiullah Tariq, head of research at Pak-Kuwait Investment Company.

He said the demand for cars is high and it takes up to six months to receive a car after buying it from a company. The easy access to financing was one of the reasons for higher demand which was curtailed by reducing the amount of financing and tenure of financing.
Analysts also pointed out that the recent increase in the interest rate should also be seen in the same background — the costly money would reduce financing to consumers. The SBP increased the interest rate by 25 basis points to 7.25pc.

The State Bank further said that with the objective to protect lower to middle income category purchases, these new regulations are not applicable to locally manufactured or assembled vehicles of up to 1,000cc engine capacity.

"They are also not applicable to locally manufactured electric vehicles to promote use of clean energy," said the SBP, adding that the financing of these two categories of vehicles will continue to be governed by previous set of regulations.

"In order to encourage Roshan Digital Accounts and facilitate overseas Pakistan who have opened these accounts, regulatory instructions for Roshan Apni Car product of the banks or DFIs have also not been changed," said the SBP.

Analysts said the impact of the amendments in the prudential regulations would be visible after couple of months but it would not slow down the economic activities.

The import of road motor vehicles in FY21 was of $2.142bn compared to $1.276bn in the preceding year reflecting the high growth of import. During July-Aug FY22 the import of the same was of $495m compared to $160m in the same period of last year.
(By Shahid Iqbal Dawn, 01, 24/09/2021)

Karachi tax collection

THE Sindh government's decision to collect two municipal taxes through electricity bills from consumers only in Karachi is likely to be seen as discrimination by the dwellers of the megacity. In its attempt to make the Karachi Municipal Corporation financially strong, the provincial government earlier this month proposed the collection of conservancy and fire taxes through K-Electric bills from consumers in Karachi. According to the details, Rs100 and Rs200, respectively, will be charged from two categories of 2.56m electricity consumers in the city. It is believed that this will enable KMC recoveries to increase drastically — up to Rs9bn per year as compared to the present collection of Rs210m from these two taxes. The Sindh government took a similar step earlier this year in February when it mandated the Sindh Revenue Board to collect local taxes on KMC's behalf. Though these taxes are not new, it is too early to say whether their collection through electricity bills will prove effective. Part of the reason is that the authorities have not yet made available the details of the two categories of consumers mentioned.

Meanwhile, even if the financial targets are met, it is unclear how the money raised will be used to improve civic facilities in Karachi. The 20m-plus people of Karachi, whose large, medium and small businesses drive the country's economy, are left to cope with natural and manmade disasters practically on their own. Certainly the comatose KMC seems to be providing little to no civic amenities. Secondly, the same PPP leadership that now appears so concerned to prop up KMC was the same one that originally stripped the body of many of its powers. Moreover, why shouldn't the same methods be employed to boost tax collection via municipal bodies in other cities of the province, including Hyderabad, Sukkur and Larkana? Will financial autonomy for these municipal bodies not benefit the Sindh government too? Taxing is essential but its application needs to be fair across all settings, rich or poor, urban or rural.
(By Editorial, Dawn, 06, 28/09/2021)

China willing to implement '$3.5b Karachi project'

Chinese Foreign Ministry Spokesperson Hua Chunying on Tuesday said China was willing to work with *Pakistan* to implement the outcomes of the recently-held 10th Joint Cooperation Committee (JCC) of the China-Pakistan Economic Corridor (CPEC), including the *Karachi* project.

"In the recently-held 10th JCC meeting, China and Pakistan agreed to include the Karachi project in the CPEC framework and listed it as an outcome of the meeting," she said during her regular briefing while commenting on the inclusion of $3.5 billion Karachi Comprehensive Coastal Development Zone (KCCDZ) in the CPEC framework.

The federal government had unveiled an ambitious plan to rebuild Karachi's coastline under CPEC with $3.5 billion "direct Chinese investment" that aims to overhaul the city's seaboard with new berths for the port, a new fishery port and a 'majestic harbour bridge' connecting it with Manora islands and Sandspit beach.

The KCCDZ — spread over 640 hectares or 1,581 acres on the western backwaters marshland of the Karachi Port Trust (KPT) leading to revamp one of the oldest city slums Machhar Colony relocating its more than half a million population — is an initiative of the Ministry of Maritime Affairs.

The KCCDZ is the latest addition to CPEC projects aimed at providing Karachi with an ultra-modern urban infrastructure zone, placing it among the top port cities of the world.

In a tweet, Prime Minister Imran Khan has termed the inclusion of the Karachi coastal zone in CPEC a game-changer and expressed the hope that it would help in cleaning up marine habitat for fishermen, develop low income housing units and creating investment opportunities. It would put Karachi on a par with the developed port cities.

Chunying said China and Pakistan are all-weather strategic cooperation partners and CPEC was a flagship project of the Belt and Road Initiative (BRI).

"China is willing to work with Pakistan to implement the common understanding of the two leaders and also outcome of the JCC meeting," she added.

She said the Chinese side would ensure smooth operation and construction of existing projects and highlight the cooperation in health, green economy and digital areas.

"We will work on other fronts in our cooperation, improve the quality of the joint building of CPEC and provide new impetus to the development and the people's livelihood," she added.

According to Special Assistant to the Prime Minister (SAPM) on CPEC Affairs Dr Khalid Mansoor, the inclusion of KCCDZ in CPEC in the 10th Joint Cooperation Committee for CPEC would expand the horizon of development for the country.

Mansoor pointed out that it was an opportunity for international investors to invest in Pakistan. "The multi-billion-dollar CPEC project has entered into its second phase."

The establishment of Special Economic Zones and the involvement of private sectors would make Pakistan a manufacturing hub," he added.
(By APP The Express Tribune, 02, 29/09/2021)

An unfair taxation system

ONE of the bigger issues with our tax system is the deep-rooted unfairness that has been built, by default but often by design, into the system.

Those who are documented and in the tax net, by choice but often due to the nature of their job/business, pay a lot. At the same time, those who are able to avoid documentation have been getting away with paying very little or nothing for a long time, and, to add insult to injury, many have been rewarded repeatedly by the state through amnesties of one sort or another. In addition, the state has removed many taxes to again benefit particular classes, while there are also entire sectors that have, at one time or another, been exempted from taxation.

How should those who are in the net and have to pay all taxes feel about the tax system and about the state?

The other side of the unfairness is that most of those who have to pay taxes or are fine with paying these taxes also feel they do not get much in return from the state. The state offers health and education facilities of poor quality generally speaking. Most of those who are in the middle-income and higher-income groups choose to access private providers in these areas. The provision of water and sewerage, waste collection and even security is often supplemented by accessing private sector providers or is wholly dependent on the ability to buy services from private providers.

Many taxpayers feel that the unfairness extends further. Several taxpayers are able to buy services from the private sector but many citizens, who do not have enough resources, depend on services (water, sewerage, health, education, security) provided by the state. They get poor quality service. So, even for those who depend on the state, if the state, from the revenues collected through a system that lacks fairness and is coercive in parts, cannot provide for those who depend on it, how can citizens feel comfortable with such a situation?

The rub becomes more abrasive when taxpayers feel the state does not give anything back to them.

Income tax rates go from five per cent to 35pc. If you are in the middle or a bit above that in terms of your monthly income, and happen to be in the tax net — true for almost the entire salaried class and documented businesses — it is likely you are, on average, paying 15pc to 20pc of your income towards income tax alone. The salaried do not even get to pay this; they get their salaries post-income tax deductions.

Then there is the sales tax which, on most goods and many services, is around 16pc to 17pc. There are special levies and taxes on the provision of a lot of goods and services that have inelastic demand (good and services where price increases do not dent demand by much) or from where the state can collect tax easily and with low-collection expenditures. These include telephone bills, gas and electricity provision as well as petroleum products. Twenty-five per cent of the amount I paid for my electricity bill this month was additional taxes and surcharges. The level of taxation on petroleum products, though kept a lot more opaque on purpose, is substantial too. All other services, road tax and local water and other surcharges included, are taxed as well.

Salaried people and those who happen to be documented and in the tax net, probably and on average, end up giving about 50pc of their income back to the state in the form of one tax or another. This is not, by any means, an insignificant proportion.

Those who are not in the tax net and/or may have been given exemptions, on average just end up paying the indirect taxes. The unfairness is clear. Why should the agriculturalists not be taxed? Why should traders pay much less, or people making gains in property markets or capital markets? To say that the state is unable to build taxation systems for them is part of the unfairness. This situation has persisted over decades. Why has the state failed to create a fairer system over these decades?

But the rub becomes a lot more abrasive when taxpayers feel the state does not give anything back to them, for all the tax they pay or have to pay. Most of the taxpaying population rely on private provisions for access to health, education, water, waste collection, and even services like security. There are no pension benefits or other benefits for employees in the private sector. I will, post 60, get Rs9,000 a month from the old-age benefit scheme. This too is money that is largely employer contribution.

And, to make matters worse, the quality of services that the state provides, is generally poor. So, citizens who have to depend on state provision for any access to these services continue to suffer while those who pay taxes are doing their part and more. This adds to the perceived and real unfairness of the system.

Despite promises made by successive governments, the state has been unable or unwilling to expand the tax net. But the need for revenues and the pressure to generate revenues increases every year. The state, whether it likes it or not, ends up either relying on indirect taxes or on milking those who are already in the tax net even more. Both options increase the unfairness of the tax system.

We need a way forward that will disrupt this dynamic. If it is not disrupted the ability of the state to generate more revenues, even with coercive means, will go down and this could be disastrous for our economic growth and stability. The impact on citizen loyalty and social contract can be significant as well.
(By Faisal Bari Dawn, 06, 01/10/2021)

Pandora Papers unmask the elite at home & offshore

A fresh set of leaked documents exposing secret fortunes of prominent individuals across the globe reveal that key members of Prime Minister Imran Khan's inner circle, including cabinet ministers, their families, political allies and major financial backers, have secretly owned an array of companies and trusts holding millions of dollars of hidden wealth.

Under the law, setting up of an offshore company is not an offence or crime if the company is not involved in any illegal activity. However, those who have not declared these companies in their returns as assets can face legal action.

According to Pandora Papers released by International Consortium of Investigative Journalists (ICIJ), among those whose holdings have been exposed are Finance Minister Shaukat Fayaz Ahmed Tarin and his family, Minister for Water Resources Moonis Elahi, former federal minister Faisal Vawda, and the son of PM's former adviser for finance and revenue Waqar Masood Khan. The family of Minister for Industries and Production Khusro Bakhtiyar, PTI leader Abdul Aleem Khan, PPP's Sharjeel Memon and PML-N's Ishaq Dar's son Ali Dar are also mentioned in the papers.

Some retired army officers, businessmen including Shoaib Sheikh, Axact's CEO and owners of media houses have been named in the papers. The records also reveal the offshore dealings of a top PTI donor, Arif Naqvi, who is facing fraud charges in the United States.

Based upon the most expansive leak of tax haven files in the history, the investigation reveals secret deals and hidden assets of more than 330 politicians and high-level public officials including 35 country leaders in over 90 countries. The papers include names of as many as 700 individuals from Pakistan.

Shaukat Tarin and members of his family own four offshore companies. According to Tariq Fawad Malik, a financial consultant who handled the paperwork on the companies, they were set up as part of the Tarin family's intended investment in a bank with a Saudi business.

The papers reveal that Omer Bakhtiyar, the brother of minister for industries, Makhdoom Khusro Bakhtiyar, transferred a $1 million apartment in the Chelsea area of London to his elderly mother through an offshore company in 2018. The state anti-corruption agency has been investigating allegations that his family's wealth inexplicably "ballooned" since Bhaktiyar first became a minister in Pervez Musharraf's government in 2004.

In a written statement to ICIJ, Bakhtiyar said the anti-corruption agency's investigation was founded on baseless allegations, which had underestimated his family's past wealth, and that it has so far not resulted in a formal complaint.

Leaked documents find key personalities including sitting and ex-ministers Shaukat Tarin, Moonis Elahi, Faisal Vawda, Sharjeel Memon, Aleem Khan, family members of Khusro Bakhtiyar, Ishaq Dar and others holding secret assets

The son of Waqar Masood Khan, the premier's chief adviser for finance and revenue between 2019 and 2020, co-owned a company based in the British Virgin Islands. Masood resigned in August amid a policy dispute. Khan told ICIJ that he did not know what his son's company did. He said his son lived a modest life, and was not his financial dependent.

Khan's financial backers are also prominent in the files. Arif Naqvi, the financier and major donor to Khan's 2013 campaign, owned several offshore companies. The files show that in 2017, Naqvi transferred ownership of UK holdings – three luxury apartments, his country estate and a property in London's suburbs – into an offshore trust operated by Deutsche Bank. Deutsche Bank declined to respond to ICIJ's concerning the beneficiaries of the trust. The next year, he presided over the spectacular collapse of his Dubai-based private equity firm, Abraaj Group.

US prosecutors charged Naqvi with engineering a $400 million fraud against Abraaj investors and this year persuaded a court to allow his extradition from the UK Naqvi has denied wrongdoing.

Tariq Shafi, a leading businessman and another PTI donor, held $215 million through offshore companies, the records show.

The documents offer an unusually detailed look at how a top political figure attempted to hide proceeds from an alleged misuse of public funds with the help of an elite offshore service provider.

The papers also elaborate the scandals linked with the family of former chief minister of Punjab Chaudhry Pervez Elahi.

The document citing public records says Elahi's wife used a UK shell company to transfer an $8.2 million London apartment overlooking the River Thames to a woman named Mahrukh Jahangir, who then filed a UK Land Registry document generally used by joint owners and trustees. The transfer was not for "money or anything of monetary value", according to public records.

A woman with the same name as Mahrukh Jahangir appears as a 9.4% shareholder in the RYK Mills owned by Chaudhries. Neither Elahi nor his wife disclosed ownership of the apartment or RYK assets in their official declaration of interests from 2017 as part of his candidacy to become a member of the National Assembly.

In April, Pakistan's Federal Investigations Agency (FIA) announced a criminal probe into price fixing in the powerful sugar industry, naming RYK Sugar Mills among the companies allegedly involved. The industry dominates the valuable agricultural land of Punjab and is one of the biggest water users in one of the most water-stressed countries in the world. It is also among the world's largest producers of sugarcane and uses enough water each year to fill Australia's Sydney Harbour more than 45 times.

The Pandora Papers reveal that in 2007, the wife of Gen Shafaat Ullah Shah, then one of Pakistan's leading generals and a former aide to President Pervez Musharraf, acquired a $1.2 million apartment in London through a discreet offshore transaction.

The property was transferred to Gen Shah's wife by an offshore company owned by Akbar Asif, a wealthy businessman who has opened restaurants in London and Dubai, according to the ICIJ research. Asif is the son of the Indian film director K Asif. The younger Asif once met Musharraf at London's Dorchester Hotel to ask for an exception to Pakistan's 40-year ban on Indian films to allow the release there of one of his father's most acclaimed movies. Musharraf granted the exception and later lifted the ban.

The leaked documents show that Asif owned a multimillion-dollar property portfolio through a web of offshore companies. One of those companies, called Talah Ltd. and registered in the British Virgin Islands (BVI), was used to transfer the London apartment to Gen Shah's wife. Talah bought an apartment near the Canary Wharf financial district in 2006. The next year, Asif transferred company's ownership to Fariha Shah.

Asif's sister, Heena Kausar, is the widow of Iqbal Mirchi, a senior figure in a leading organised crime group, D-company. Mirchi was at the time under sanction as a drug trafficker by the US. Before his death in 2013, Mirchi was one of India's most wanted men.

The Pandora Papers also reveal that Raja Nadir Pervez, a retired army officer and former government minister, owned International Finance & Equipment Ltd, a BVI-registered company. In the leaked files, the firm is involved in machinery and related businesses in India, Thailand, Russia and China. Records show that in 2003, Pervez transferred his shares in the company to a trust that controls several offshore companies.

One of the trust's beneficiaries is a British arms dealer. According to UK court documents, one of the trust's other companies has helped broker arms sales from Belgian manufacturer FN Herstal SA to Hindustan Aeronautics Ltd., a state-owned Indian defense company.

Another influential former military leader whose name comes up in the leaked documents is Maj Gen Nusrat Naeem, ISI's onetime director general of counterintelligence. He owned a BVI company, Afghan Oil & Gas Ltd, registered in 2009, shortly after his retirement. He said the company had been set up by a friend and he didn't use it for any financial transactions.

The Pandora Papers also brought to light the notable offshore holdings of close relatives of three senior military figures. Umar and Ahad Khattak, sons of former air chief of Pakistan Abbas Khattak, registered a BVI company in 2010 to invest what documents call "family business earnings" in stocks, bonds, mutual funds and real estate.

The Khattaks did not respond to reporters' questions.

In an example involving intergenerational wealth transfer, Shahnaz Sajjad Ahmad inherited a fortune from her father, a retired lieutenant general, through an offshore trust that owns two London apartments, purchased in 1997 and 2011 in Knightsbridge, a short walk from Harrods. She, in turn, set up a trust for her daughters in 2003 in Guernsey, a tax haven in the English Channel. Her father was a favourite of Field Marshal Mohammad Ayub Khan, the country's first military dictator (1958-1969). After her father retired from the army, he founded one of Pakistan's biggest business conglomerates. Ayub Khan's son later married into the family and sits on the boards of several of the group's businesses. Shahnaz did not respond to ICIJ's requests for comment.
(By Iftikhar A. Khan Dawn, 01, 04/10/2021)

Inflation can't be controlled if graft money keeps pouring in, says ex-FBR chief

Former chairman of the Federal Board of Revenue Syed Shabbar Zaidi has said that inflation would never be controlled if corruption money is allowed in the country.

"If you allow money made from corruption to come here, you cannot control inflation. And being unable to settle this will weaken our economic foundations even further," said Mr Zaidi while speaking on 'How to fight inflation to ensure progress'.

The Zoom event was organised by the Voice of Habibians under the Habib Public School Alumni Association on Saturday.

Mr Zaidi tried to clear the various perceptions about inflation in Pakistan. "There is reality and there is perception about why inflation is mounting in an extraordinary way here and why it is getting out of our control," he said.

'Brokers are out of govt control'
"There is an economic side to why we cannot control our high prices. It is due to retail prices," he said.

"There are people here earning extraordinarily. We can understand what is really happening by studying the Sugar Inquiry Commission report. Analysing it will tell you about what is happening in Pakistan.

"For example, the players in sugar are the growers, mill owner, the brokers, the retailers, traders, sellers and the consumer. The mill owners should be responsible for its pricing but there are 85 to 90 mills here and the brokers only around 25. These brokers buy the sugar and sell it to the markets. So the money earned by them is moving this market. And it is all undocumented, which is why there is a price hike in sugar," he explained.

"The brokers are out of control of the government. Their sales and receipts are not in the books. So this money is not taxed. There is no corporate or tax record of it. And this money is running your market," he tried to simplifying his theory.

"The inflation arises from this retail price rate. It is not letting our economic sectors function," Mr Zaidi said.

"Similarly, the supply side is also in the hands of a particular group. They are like money lenders, and their kind of system for running the markets needs to be changed. Until that happens, you can forget about price control," he said.

"This unregulated and undocumented retail price rate sector needs to be eliminated in order to solve the price inflation factor," he added.

'Close exchange firms if you want to fix dollar rate'
"Another issue that is seen here is a psychological one, about the dollar and rupee rates. The rupee shoots whenever anything, such as a change in government, happens. We need to also see how we can manage this rupee-dollar parity," he said.

"You want to fix the dollar rate, close the money exchange companies," he pointed out.

"We need to settle where we want our economy to go? Do we even want to remedy the issues faced by our economy? Here we like to talk against the cash economy but we do not do anything to stop it," he said.

"We need to go to the farm to market. We need to improve the farm-to-market mechanism. We need to compare the prices of commodities in different parts of the country. This will have the consumer himself get after the seller about why he is selling this at a high rate," he said.

"Here in Pakistan, we have non-tax filers or non-filers. I had asked someone once what a non-filer was. Why can't we call a non-filer a thief because that is what a non-filer of taxes is. Not calling him a thief is accepting his crime," he pointed out, adding that here we can't call a spade a spade.

"Who is the ultimate beneficiary of inflation? That very corrupt person rolling in the money. All these things we have created ourselves. They cannot be fixed easily. You first need to decide if you even want to fix things. You need to have the will to set the fundamentals right and for that you need technology, market capacity, public awareness, etc."

"Cash economy, lawlessness and no documentation hurts your economy," he concluded.
(By Newspaper's Staff Reporter, Dawn, 14, 04/10/2021)

Pakistan must increase exports to stabilise economy, says Akbar Zaidi

The Panama and Pandora papers show that Pakistan is home to many millionaires and billionaires, but on the other hand the state is so poor that it is forced to seek foreign aid, loans and grants for survival.

This foreign dependence would never let the country have an independent foreign policy.

This was stated by Dr S. Akbar Zaidi, a seasoned political economist and executive director of the Institute of Business Administration (IBA). He was speaking at the 'Third Sheikh Mutahir Ahmed Memorial Lecture Series' at Karachi University's Arts Auditorium. The event titled 'The State We Live in: Pakistan Today' was organised by the department of international relations.

Sharing his thoughts on the subject, Dr Zaidi regretted that Pakistan could not improve its economy in decades and the country even today failed to meet basic health needs of its masses and sought foreign assistance to protect its children from polio.

"We ask Unicef to provide funds to administer polio drops. We ask the United States and China to provide us with Covid-19 vaccines. Nations that are dependent on foreign aid, their foreign policy always remain constrained and the same is the case with Pakistan," he said, adding that such situation existed since the country's inception and successive governments always looked for foreign support instead of exploring means to stabilise its economy.

Dr Zaidi was of the opinion that Pakistan had to increase its exports to come out of this situation on an emergency basis. “Unless we stabilise our economy, we will not be able to join the list of developed countries and for that, we must increase our exports. As long as we continue to depend on others, we will have to listen to them.”

He also spoke of the need to have economic interdependence and friendly relations with its neighbours as it was the only way out.

About the China-Pakistan Economic Corridor (CPEC), he said it seemed not to be a “game changer” but “game-over” as Pakistan had borrowed more loans from China than it had from any other country. And, sooner or later, China would seek its return.

About the positive things that happened in Pakistan, Dr Zaidi said the emergence of the middle class and increased participation of women in different sectors was a good sign for the country’s future. Also, under the 18th Amendment, the provinces had been given autonomy and they were developing better than before, he added.

Earlier, Dr Naeem Ahmed, chairperson of the IR department, said Pakistan with ethnic, cultural, and religious diversities had been constantly experiencing profound political and socio-economic turbulence for several decades.

Along with that, he pointed out, Pakistan had also been witnessing the scourge of unrestrained religious extremism and terrorism, the increasing gap between the rich and the poor and the sharpened civil-military relations.

He noted that if the current situation in Afghanistan was not handled properly, it might further impact the religio-political and socio-economic landscape of Pakistan.

The speakers, including KU Vice Chancellor Prof Khalid Mahmood Iraqi, paid tribute to late Prof Dr Sheikh Mutahir Ahmed and said that he would always be remembered as a man of noble character and a man who listened patiently and respected others’ opinions.
(By Newspaper's Staff Reporter, Dawn, 14, 06/10/2021)

Biometric proof must for buying $500 or above: SBP

The State Bank of Pakistan (SBP) has imposed another restriction on buying of dollars from open market as it made biometric verification compulsory for all those who would buy $500 or above from open market. On the other hand, the dollar set a new record as the price rose to Rs171 on Wednesday.

“The exchange companies will be required to conduct biometric verification for all foreign currency sale transactions equivalent to $500 and above and outward remittances,” said the SBP on Wednesday.

Earlier, anyone could purchase dollars from exchange companies by providing a copy of national identity card. “This requirement will be applicable with effect from October 22, 2021,” the SBP added.

The major step has been taken apparently to stop outflow of dollars from the country to Afghanistan, which significantly increased dollar demands in the open market and destabilised the exchange rate.

The SBP has already taken several measures to get control over steep depreciation of local currency against the high demand of US dollar. The exchange companies have earlier highlighted through the media that outflow of dollars to Afghanistan is very high while the Fitch Rating company also recently cited this issue as one of the reasons for destabilisation of exchange rate.

According to the measures taken by the State Bank, each person travelling to Afghanistan will be allowed to carry maximum $1,000 per visit, with the annual limit of $6,000.

“In order to enhance transparency in the foreign currency transactions by exchange companies and to curb undesirable outflow of cash foreign currency, the State Bank has introduced some regulatory measures,” said a circular issued by the SBP.

Exchange companies will sell the cash foreign currency and make outward remittances, equivalent to $10,000 and above, against receipt of funds through cheque or banking channels only.

“These regulatory measures will help to improve documentation of sale of foreign currency by exchange companies and place a check on undesirable outflow of foreign currency,” said the SBP.

“The condition of biometric on purchase of $500 and above will help to reduce buying from open market which is the target of the State Bank as well as the government,” said Malik Bostan, heading the Exchange Companies Association of Pakistan.

He said the proposal of biometric was in discussion with exchange companies. He said the condition of $1,000 per person takeaway to Afghanistan was needed to stop unnecessary outflow of foreign currency from Pakistan causing destabilization of exchange rate.

Since July as the political situation unfolded in Afghanistan, dollar demand in open market here increased and rates went up. Earlier, the exchange companies were depositing 90 per cent of their surplus to banks. “Now we deposit about 50 per cent to banks while 50 per cent is sold out,” he said.

The State Bank last month revised Prudential Regulations for Consumer Financing and said the targeted step would help in moderating demand growth in the economy, leading to slower import growth and thus supporting the balance-of-payments.

The changes in the prudential regulations effectively prohibit financing for imported vehicles, and tighten regulatory requirements for financing of domestically manufactured or assembled vehicles of more than 1000cc engine capacity and other consumer finance facilities like personal loans and credit cards, according to the SBP.

On Sept 30, the State Bank imposed 100 per cent cash margin requirements (CMR) on imports of 114 more items, taking the total number of items subject to CMR to 525, to curb the imports that had grossly destabilized the exchange rate and widened the current account deficit.

The monthly increase in the current account deficit created serious threat for the external account of the government. The deficit widened by $1.5bn in August as it was $838m in July FY22.

FIA probes 'illegal' currency business
Federal Investigation Agency (FIA) has started investigation into alleged illegal currency business by a known foreign exchange company, said a senior officer on Wednesday.

FIA Director Amir Farooqi told *Dawn* that they called Zafar Paracha, owner of Paracha Exchange company, at the State Bank circle for investigation purpose. "The FIA obtained record of the company dealing with dollars for last one month," the officer said, making it clear that the owner had not been detained.

The director said they had launched probe into the affairs of all exchange companies after recent increase in dollar rate as there were reports that certain elements were involved in hoarding, smuggling and illegal currency business to earn profits.
(By Shahid Iqbal $ Imtiaz Ali Dawn, 01, 07/10/2021)

Price bomb

Another drastic hike in petroleum products has left the nation bewildered. Apart from inflation, it is being bombarded with cynic pro-and-against commentaries from both the government and the opposition sides, respectively, which further adds to trauma. No matter what the rationale is for increasing petrol, gas and electricity prices, in response to their escalating price tag on the international level, the government has succumbed and has no plan to do some critical balancing to keep the lot of the common man afloat. This devastating Rs10.49 raise in petrol — and that too for the third consecutive time in 45 days — is likely to result in stemming economic streaming, and scuttle the purchasing power of the poor.

For the first time in history, the minimum price of all the four petroleum products has crossed the denominator of Rs100. The fact that oil is being traded for $85 a barrel, the highest since October 2018, has inevitably set the ball rolling. The government claims that it has calculated retail at a convenient lower end, by absorbing shocks of billions in levy and sales tax. Likewise, the failure to undo the draconian deal with IPPs has resulted in electricity hikes too. This is untenable for economic growth and will result in a steep upward shot on the inflation graph. Our culture of speculation and hoarding will further complicate the price trend, and the country might witness shortage of essential supplies. Rest assured that there is no price monitoring, nor any check on demand and supply, this new POL surge will prove to be lethal.

There are a couple of undisclosed dimensions to this recent price bomb. One; it seems the government's conventional understanding with a major oil producer stands ruptured. Thus, there isn't any deferred or subsidised supply of the crude forthcoming. Two; the 2019 accord with the IMF is showing its stark teeth. In response to the $6 billion fund facility, the donor is now asking for a pound of flesh! The blood spill is inevitable. Though denied by Islamabad, the pressure is evident as economic gurus are at pains in doing the bizarre explanations — leaving the nation in shock and awe.
(By Editorial, The Express Tribune, 14, 19/10/2021)

Financial crisis

DESPITE having progressed to 'very good step' and being 'close to concluding the agreement' a few days back, the talks between Pakistan and the IMF for the resumption of the $6bn programme seem to have hit a deadlock.

Pakistan's entire finance team that had been negotiating the revival of the loan facility in Washington since early this month has had no option but to leave without finalising an arrangement that is considered crucial to mitigating the emerging risks to our balance of payments. Yet a finance ministry spokesman has dismissed reports of a breakdown in talks, insisting that these were continuing and a statement would be issued as soon as discussions concluded. Earlier, he had refused to give a definite time frame for the agreement.

The reasons for the 'failure' remain unclear but the IMF is expected to soon issue a statement to explain how its reforms programme can be revived. However, reports suggest that the talks had hit a snag on a number of matters including disagreement on the level of increase in electricity prices, imposition of additional taxes of approximately 1pc of GDP, and validation of the expenditure of the $1.4bn Covid funds provided to Islamabad to fight the pandemic. With neither side coming clean on the reasons for the current 'interruption', it can only be hoped that this hiatus in talks will be temporary.

From the very start, the Fund was expected to play hard this time around given the government's poor track record on implementation of the steps agreed to under the programme to reduce expenditure, raise the tax-to-GDP ratio, liquidate the energy sector debt, and reform or privatise loss-making SOEs. The talks were projected to be tougher given the changed regional geopolitics after the Taliban takeover and the new frostiness in Pakistan's ties with Washington, which has huge influence over the Fund.

Yet finance adviser Shaukat Tarin was hopeful of convincing the lender about meeting programme targets without taking its suggested harsh measures ahead of the 2023 elections. Apparently, the IMF has proved him wrong.

The question now is whether Islamabad has any fallback plan as the State Bank's liquid foreign exchange reserves have already begun depleting on the rising trade deficit, putting pressure on the exchange rate. Indications are it doesn't have one unless the Saudis agree to step in to fill in for the IMF and help Islamabad avert the imminent balance-of-payments crisis and its attendant consequences.
(By Editorial, Dawn, 06, 25/10/2021)

Govt plans 'tax rationalisation' for IMF deal

To reach an agreement with the International Monetary Fund (IMF) for revival of its programme, the government on Wednesday announced that it's going for 'rationalisation of taxes' to bridge over Rs450bn gap in revenues it had given up on petroleum products to keep their prices one of the lowest in the world.

"We will have to definitely rationalise taxes but I would not disclose more about the IMF programme at this stage," said Adviser to the Prime Minister on Finance and Revenue Shaukat Tarin while speaking at a joint news conference with Energy Minister Hammad Azhar.

"We have reached very close to the agreement. Take my assurance. Only one or half of things are outstanding and that is currently under discussion… would be settled," Mr Tarin added.

The presser that happened to be the first public appearance of Mr Tarin as adviser and after closure of negotiations with IMF last weekend had been called to announce financial package approved by the Kingdom of Saudi Arabia in the form of $3bn in safe deposit and $1.2bn worth of petroleum product supplies on deferred payments.

Talking about the IMF programme, Adviser Tarin asserted that everything, including fiscal, had almost been settled when he left Washington. When he returned from New York to Washington, it was to settle some loose ends, he explained. "This IMF (programme) will be done. Take my word and remove this uncertainty," he reiterated.

In response to a question, the adviser made it clear tax measures did not come under discussion with the IMF and 'only principles and policies' were negotiated. When it was about revenue collection, targets for fiscal and primary accounts were negotiated and what the IMF wanted here was that primary account – the difference between revenues and expenditures excluding debt servicing – should be in surplus, he said. "Obviously they ask how we are going to bridge the gap when we do not collect petroleum levy after targeting it at Rs600bn in budget," Mr Tarin reasoned.

Since Pakistan had Rs175bn higher than the targeted revenue collection in the first quarter of the year, it was reported that how the difference would be covered, he said. However, the government would then be facing deficit in non-tax revenues and even though FBR revenues were higher they got distributed among the provinces and had minimal impact on federal fiscal position.

The energy minister told the presser that the government had waived about Rs450bn in the form of general sales tax and petroleum levy on oil products but was coming under increasing pressure why the taxes had been given up on petroleum items. He said the loss of GST and PL on petroleum items obviously had a revenue impact and the government had to meet it from other revenue avenues.
Talking about the Saudi package, Mr Tarin said he had announced in June and then in September about an agreement with the Kingdom on the request of Prime Minister Imran Khan for $1.5 to $1.8bn support at the rate of $150 million per month for supply of oil products on deferred payment but its details could not be finalised for some reasons.

He said during Mr Khan's recent visit Crown Prince Mohammad Bin Salman was reminded about the agreement in principle on oil facility and reported that it had not been operationalised so far. The crown prince was also apprised that since the $3bn safe deposit with the State Bank in 2018-19 had greatly helped Pakistan, such arrangement should also be looked into.

"On the spot, the crown prince approved the package," Adviser Tarin said, adding the announcement that followed included $1.2bn for refined oil products for a year at the rate of $100m per month besides the $3bn safe deposit. "So it is $4.2bn annual package which is better than we had requested for $1.8bn annual support for oil supplies that would have translated into $3.6bn package for two years."

The terms and conditions of the package would remain same as they were in 2018-19 i.e. payable at an interest rate of 3.2pc per annum, he said.

The adviser said the government had been providing significant relief, which was incomparable with neighbours and rest of the world, to the people on petroleum products.

Minister Azhar said the international community was passing through a commodity cycle due to demand and supply issues arising out of stimulus packages announced by various countries and food and energy prices had seen three-four times hike. He said oil prices in Pakistan were lowest in the world, except for some oil producing countries.

Pakistan had not increase gas prices since 2019 whereas Europe had seen over 500 per cent increase in gas prices this year, the minister told the media before expressing the hope that prices would come down in about six months as the commodity cycle would end soon.
(By Khaleeq Kiani Dawn, 01, 28/10/2021)

SBP autonomy

THE changes suggested in the existing SBP Act should place the central bank in a better position to control price inflation and manage currency through an independent determination of its monetary and exchange rate policies as per international best practices. The changes approved by the cabinet the other day will reset the State Bank's core function and prevent frequent political intervention in its working. If parliament clears the changes, the bank will acquire vast powers to solely focus on its new function of domestic price stability without having to support the government's economic growth target. It will, nevertheless, continue to indirectly foster growth and help a fuller utilisation of the nation's productive resources by fighting price inflation and ensuring financial stability by using its policy tools.

Though the target inflation rate for the bank to achieve will continue to be set by the National Economic Council, the government will no longer be in a position to dictate monetary and exchange rate policies. Previously, we have watched the State Bank functioning as an adjunct to the finance ministry with its governors obtaining 'advice' from the government or easily succumbing to pressure, without thinking of the consequences for prices and financial stability. We have, for example, seen the bank go out of its way to interfere in the market and spend billions to maintain the exchange rate at the level suggested by the previous PML-N administration at the cost of exports and foreign exchange reserves. Not only that, it would not hesitate to print huge amounts of money to lend to the government and fuel inflation. Likewise, an independent view by the bank of the economic and financial trends and a critical analysis of government policies in its reports have been rare. There are many instances where central bankers were sent home if they took a stand. If the changes are approved, the situation is expected to become better.

The draft law also proposes sweeping administrative and other powers for the State Bank governor besides guaranteeing his tenure that has been extended from three to five years with the possibility of extension for another term. This is understandable because no one can steer the bank without complete administrative freedom and guaranteed tenure. Nonetheless, these kinds of powers also anticipate a strict evaluation of the candidates for the top office and their accountability by parliament. Parliamentary evaluation is crucial to ensure that the right person is chosen for the job after a thorough debate by the people's representatives who should also have the power to fire them if they find their performance below par. Clearance of their appointments by parliament will empower them further in executing their mandate. Hence, it is advisable that the government revisit the draft law and change the method of selection of the State Bank governor in line with international democratic practices.
(By Editorial, Dawn, 06, 02/11/2021)

Finance ministry unaware of Rs815bn of NAB recoveries

In a parliamentary testimony, the Ministry of Finance on Wednesday expressed complete ignorance about the whereabouts of over Rs821 billion, except Rs6.458bn, that the National Accountability Bureau (NAB) claimed to have recovered since its inception some 16 years ago.

Surprised to know that the ministry was unaware about the massive gap in the claims and the actual funds received by the national treasury, the Senate Standing Committee on Finance on Wednesday decided to seek help from the auditor general of Pakistan for a special audit.

The parliamentary panel also showed disappointment over the recent devaluations of rupee and its devastating impact on inflation.

Additional Finance Secretary Tanveer Butt informed the panel that only Rs6.458bn had been received in non-tax revenue over the past 16 years on account of NAB recoveries.

Senate committee on finance decides to seek special audit of huge gap between claims and actual funds in national kitty

Responding to questions, Mr Butt said the finance ministry was unaware as to where the remaining amount went and was being utilised. He claimed that the finance ministry could not ask the anti-graft watchdog about the remaining Rs815bn. "The money was not being deposited in government accounts. It is not known in which account the NAB had deposited the recovery of Rs821 billion," he added.

The committee decided to write to the Auditor General of Pakistan and NAB (Accounts) director general to appear before it before the next meeting.

Senator Talha Mahmood, the committee chairman, said the amount recovered by the NAB would also be audited.

In a paper sent to the Senate committee, NAB claimed Rs76bn as voluntary refund or plea-bargain, Rs122 as bank loan default recoveries, Rs60bn recovery on account of restructuring of loans, Rs46bn court fines imposed and over Rs500bn in different 'indirect recoveries'.

Senator Saleem Mandviwala said the funds received from National Crimes Agency, the UK, had also not been deposited in the national kitty and was perhaps still being withheld.

The committee members while showing dissatisfaction over the explanations by the finance ministry and the State Bank of Pakistan over exchange rate losses termed the government policies "disastrous" for the country.

The committee noted that despite Rs57 per dollar depreciation, the government could only increase exports by just 3pc whereas its impact on inflation had been devastating.

Senator Talha said people had initially absorbed the impact of devaluation but the massive inflation became unbearable. He said people were least interested if exchange rate was artificial or genuine as they were crying over the rising prices of commodities. "We are totally dissatisfied with your briefing and will issue a letter to the governor [of] SBP," said the Senate committee chairman as some members termed the statement made by State Bank Governor Reza Baqir in London as "uncalled for" in which he had said devaluation had also benefited a large number of overseas Pakistani.

SBP Deputy Governor Murtaza Syed acknowledged that the movement in exchange rate affected inflation but said the recent depreciation of exchange rate did not have much impact on inflation as the prices were being stoked food commodities and energy prices in the global market.

Senator Talha said rupee was under pressure primarily because of smuggling of dollars from Pakistan into Afghanistan and also referred to a person from whom a huge amount of dollars were seized in Lahore.

The SBP deputy governor agreed with the committee chairman that the supply and demand situation in the market was primary benchmark for determination of exchange rate. The meeting was informed that flexible exchange rate was adopted after going into the IMF programme.

Senator Kamil Ali Agha said the SBP governor was not a political office and should not make political statements.

He said the government and the SBP were responsible to stabilise rupee value. He said Ishaq Dar was called as "Ishaq Dollar" because of his interference with the dollar, but "today there are over 24 hands involved in it".

Senator Sadia Abbasi said household budgets had increased by 60pc during last one year and even the prices of commodities at Utility Stores Corporation had been raised drastically.

The committee decided to seek clarification on the SBP governor's statement in London and also sought a mechanism with respect to intervention in the exchange rate market from the SBP. Senator Abbasi demanded that the committee should also be informed about the recent negotiations with the International Monetary Fund (IMF), but the additional finance secretary said he could not give a detailed answer in this regard seeking more time to get details of the negotiations.

The Senate committee chairman decided to invite finance adviser and other officials for a briefing to know details of the recent agreement with the IMF.

(By Khaleeq Kiani Dawn, 01, 04/11/2021)

High price of sugar

RETAIL sugar prices, officially fixed at Rs90, have been surging across the country almost on a daily basis. Media reports say the cost of sugar has spiked by over 50pc in the last fortnight; the sweetener is now being sold for up to Rs160 a kilo in most cities. This belies official claims that we have enough reserves to meet demand for the next three weeks. So what is happening? To begin with, the government has made a mess of the sugar trade. Its selective use of the district administration, police and anti-corruption agencies against producers and dealers for the last two years hasn't worked. Instead, we have seen sugar prices rise swiftly and consistently. The focus on accountability has diverted the authorities from their task of regulating the supply chain to aiding what the industry describes as a witch-hunt.

For example, a report by the auditor general of Pakistan on factors leading to increased sugar prices shows that the Punjab cane commissioner's office failed to assist producers procure cane at the officially fixed rate of Rs200 per 40kg. When mills paid an average rate of Rs260 per 40kg during the last harvest, it was only natural for them to raise their prices. The sucrose content of 7.5pc was far less than the 10.4pc fixed by the commissioner because of the early commencement of crushing, which resulted in significant output loss at the end of the harvest. The cane commissioner's office, says the report, failed to anticipate sugar production or suggest remedial actions (imports) to cover the expected shortages. Officials are now blaming court orders for restraining them from forcibly lifting stocks from the mills to fill the supply gap and keep millers and speculators from manipulating the market. The delay in the start of the new harvest in Sindh is also being cited as a reason for the instability in the sugar market. Prices are essentially a demand-and-supply phenomenon and cannot be controlled by force alone. The government's job is to give a fair estimate of domestic output and, in case of expected shortages, import the commodity in time. Even before that it needs to reform the entire supply chain and document it for effective regulation. To people struggling with inflation it doesn't matter whether sugar prices are rising because of market manipulation or some other factor. They know that it is the government's job to ensure the easy availability of essential food items at affordable rates.
(By Editorial, Dawn, 06, 06/11/2021)

Inflation bomb

With inflation overwhelming the purchasing power, it is gradually turning into a policy fiasco in macroeconomic terms. The inability of the authorities to keep a check on supply and demand, as well as their lack of will to crack down on hoarding, has made life miserable for the common man. This phenomenon is further compounded by an increase in the import bill, which has utterly unnerved the economy. It is no surprise that inflation stands at around 9.2 per cent, as the country ironically imports wheat, sugar and pulses. For an agrarian economy, this trend is unacceptable and points out structural lacunas in growth and planning. With prices of essential commodities skyrocketing, intervention on the part of the state is indispensable to stem the social unrest in its primaries.

The government's decision to revert back to releasing weekly statistics on inflation brought to the fore a horrible scenario. Inflation measured through sensitive price index, i.e. the SPI, edged up by 1.81 per cent for the week ending on November 11. It reflected the highest increase in the past three months. During the week, out of 51 items, prices of 30 increased, six decreased and 15 remained constant. It goes without saying that the Decision Support System for Inflation under the district administration officials is a non-starter, and one that is corrupt and compromised. Merely displaying the price index in fine print is not enough, and that too with fudged figures, when the actual sale price of commodities vary. In fact, neither the consumer cares for it nor they trust it. This phenomenon has led to a price debacle with micro-economic management in tatters.

One of the primary causes of inflation in Pakistan is a combination of monetary and credit growth. Similarly, the imbalance in development and social strata are other supplementaries. In an earnest attempt to tame the price spiral, the government must directly interact with market forces, especially small businesses and manufacturers, and comprehensively address their grievances to stabilise the price register. Relying on the so-called prudence of district officers and weird interpretative sermons of ministries is an anathema. On a political note, this monster inflation is undermining the government's credibility graph.
(By Editorial, The Express Tribune, 14, 15/11/2021)

Shaukat Tarin outlines five actions demanded by IMF

Adviser to the Prime Minister on Finance Shaukat Tarin has said Pakistan will have to complete about five "prior actions" before the International Monetary Fund (IMF) calls a meeting of its board of directors to approve revival of its $6 billion Extended Fund Facility suspended in April this year.

Talking to journalists at the launch of Corporate Philanthropy Survey here on Tuesday, Mr Tarin said all issues with the IMF staff had been settled on the basis of which they gave "us a list of five prior actions" to complete so that they could call a board meeting on Pakistan's case. "Don't ask me [about] dates but IMF deal is done," he added.

Mr Tarin said these prior actions included State Bank of Pakistan (Amendment) Bill, withdrawal of tax exemptions and increase in energy tariff. He said the action pertaining to tariff adjustment had already been met for now with a recent Rs1.39 per unit increase while bills to end tax exemptions and give autonomy to the SBP had been prepared. The next tariff increase would take place by February-March 2022.

Actions include SBP bill approval, withdrawal of tax exemptions, increase in energy tariff

The finance adviser said the two bills were being fine-tuned for finalisation by the Ministry of Law and Justice after the two sides completed discussions. When pointed out that the IMF board may meet on December 17 as earlier scheduled and then delayed until February, he explained that the IMF board could be called anytime provided prior actions were complete.

Sources said Mr Tarin had also asked the public sector entities involved in circular debt to announce dividends based on receivables on their accounts. The government will divert its dividend share to clear payables. This will reduce circular debt by over Rs200bn and clear balance sheets of the entities on the basis of which the government will raise global depository receipts (GDRs) in the international market.

The sources said Mr Tarin had been able to convince the IMF staff to significantly alter the SBP amendment bill that former finance minister Dr Hafeez Shaikh and SBP Governor Dr Reza Baqir had committed to the IMF ahead of $500 million disbursements in March this year.

The sources said the IMF wanted Rs170bn worth of tax exemptions in addition to improved petroleum levy collections for which the government had set Rs610bn target for the year but could collect about Rs50bn in the first four months. The saving grace on this front was revenue collection that was significantly higher than the target.

But there are still certain things which cannot be changed given the disbursement of $500m is approved by the IMF board on the basis of those commitments. Also, the IMF is no more ready to accept ordinances as prior action for removal of tax exemptions and unprecedented powers and protections to the SBP management and has now linked approval of the bills by parliament as prior actions.

Responding to a question about prior actions required from the central bank, Mr Tarin said the monetary policy and exchange rate were the domain of the SBP and the monetary policy committee and he would neither like to interfere nor comment.

In reply to another question, he said the shifting of various accounts of a number of federal and provincial government entities worth trillions of rupees into a single treasury account was also a condition of the IMF programme, but this was not a prior action and would be gradually complied with. It is now a matter of record that those at the helm of economic affairs at the time had pushed through the SBP law that is now being seen in violation of the Constitution.

The central bank management had tried to secure complete autonomy for its acts of omissions and commissions without any accountability. The initial draft amendment law shared by the IMF and reconciled by the Ministry of Finance and the central bank was still under vetting of the Law Division and the Cabinet Committee on Disposal of Legislative Cases (CCLC) when a new draft reached the cabinet seeking exemption from mandatory review by the CCLC in rush.

The cabinet granted the exemption from CCLC review and, without a detailed presentation or discussions, also cleared the controversial bill on the premise that it would strengthen institutions and was unavoidable to secure revival of the IMF programme and disbursement of $500m.

The criticism that followed compelled the government to realise why the CCLC review had been bypassed and hence decided to backtrack.

The unmet condition has now become a ‘prior action’ that the said bill should be passed by parliament to qualify the government to draw another billion dollars with the approval of the IMF board.
Shaukat Tarin and Law Minister Farogh Naseem had explained to the IMF staff that not only such legislation was ultra vires of the Constitution, but the time required for the legislation was also insufficient given the processes involved.
(By Khaleeq Kiani Dawn, 01, 17/11/2021)

IMF conditions

FINANCE ADVISER Shaukat Tarin must have had to swallow a lot of his pride when he agreed to the harsh IMF conditions for the resumption of the suspended $6bn loan programme. After all, for the last seven months we have heard him say confidently that he would win back the Washington-based lender and secure a new, concessionary deal to match the government’s growth objectives. True, a few concessions have been secured here and there, but the conditions that he revealed on Tuesday leave little room for optimism: the IMF wants Islamabad to implement prior actions for the reinstatement of the programme. Mr Tarin and the government will now be implementing everything they had refused to in April thinking they could pursue their procyclical policies to push economic growth to improve the ruling party’s electoral prospects in 2023. That the IMF had no intention of softening its conditions was obvious from day one, despite Mr Tarin’s insistence that once the government had demonstrated the viability of its growth policies the Fund would let it have its way. The government also thought the US exit from Afghanistan would increase its leverage on the Biden administration. That gamble too hasn’t paid off. The dollars it was expecting will, perhaps, never arrive.

With the rupee falling to a record low last week and stocks plunging on delays in the finalisation of the IMF deal, it is imperative for cash-strapped Pakistan to re-enter the programme as early as possible. But the IMF is in no hurry to sign the deal despite the government’s increasing electricity prices and the State Bank starting the rollback of its monetary stimulus. The Fund wants the SBP Act amended to free the bank of political influence; it also wants expenditures cut and new taxes imposed before it agrees to the deal. Even the promised Saudi help of $4.2bn hasn’t materialised as yet, with Riyadh probably waiting for the IMF nod like other multilateral donors. With the current account under severe stress and Pakistan’s need for dollars rising by the day, the lender is aware Islamabad cannot pull off its budget or raise money from the global market without it. And it is using its leverage to make Mr Tarin and his team walk the path they were initially not prepared to take. So where does it leave those who had been harping on the growth mantra for months?
(By Editorial, Dawn, 06, 18/11/2021)

CM Murad seeks greater World Bank cooperation

Sindh Chief Minister Syed Murad Ali Shah, in his meeting with World Bank Operations Manager Gailius Braugelis, emphasised on the need to further enhance the scope of the Sindh Barrage Improvement Project. He said this would enable a feasibility study for the new Sukkur Barrage and help identify a site.

He said that the ground breaking ceremony of the Yellow Line BRT Corridor would be performed next month.

The meeting was attended by Sindh Irrigation Minister Jam Khan Shoro, P&D Chairman Hassan Naqvi, PSCM Sajid Jamal Abro and Irrigation Secretary Sohail Qureshi.

The chief minister and the visiting World Bank operations manager discussed all the WB-funded projects particularly the Rs2 billion Sindh Barrages Improvement project, Modernization of Urban Property Tax, Karachi Mobility project under which BRT Yellow Line and its connectivity with southern suburbs are to be made.

Sindh Barrage Improvement Project, Sukkur barrage has been launched for Rs16.6 billion in June 2018 and is likely to be closed in June 2030. The project includes rehabilitation, effective operation, and management of the Sukkur barrage. Irrigation Minister Jam Khan Shoro said that 60 per cent physical progress of different components has been achieved.

The chief minister said that his government was planning to construct a new barrage to replace the old Sukkur Barrage- the biggest barrage in the country. He asked the World Bank to support the provincial government to prepare a feasibility of the new barrage, including its exact location or site.

The operations manager assured the chief minister that he would involve the technical team of the bank to help the provincial government undertake this task.

Guddu Barrage
To improve the reliability and safety of the Guddu Barragem a project of Rs2 billion was launched in August 2015 which is scheduled to be completed in December 2021. Jam Khan Shoro told the meeting that overall physical progress of the rehabilitation and operational works was 50 per cent.

The chief minister said that due to certain reasons, including law and order and low water level in the Indus River and high-level floods, there was a delay in the execution of the works. He urged the World Bank representative to provide a four-year extension in closing the project by December 2026. The WB operations manager suggested the provincial government file a formal request for the extension of the project.

Property Tax
Discussing the modernisation of the Urban Property Tax system, the chief minister said that he has already decided to hand over collection of property tax to the local bodies in the city. He added that a fresh survey would be conducted by the Excise & Taxation department.

"The local bodies taxation units would be provided appropriate training so that they can collect on their own. The project has been launched and its physical progress is 15 perc ent.

Karachi Mobility project
A Karachi Mobility project has been approved for Rs6 billion with the objective to improve urban mobility, accessibility and road safety in Karachi through development of the mass transit Infrastructure.

It includes construction of a 22-kilometre long Yellow Line BRT corridor, drainage, lighting busways, stations, terminals and depot.

The chief minister said that the BRT would improve the connectivity between Korangi and Korangi Industrial neighbourhoods with Karachi's Southern suburbs and Central Business districts.
(By Newspaper's Staff Reporter, The Express Tribune, 04, 20/11/2021)

Consumption habits & inflation

GERMAN philosopher Ludwig Feuerbach said, “We are what we eat”. Let us look at what we are from this perspective. A treasure trove of information is available in the Household Integrated Economic Survey 2018-2019 published by the Pakistan Bureau of Statistics (PBS). Our typical household spends about 36 per cent of its total monthly expenditure on food and soft drinks, and close to 1pc on tobacco and hard drinks (mostly tobacco). These shares vary across relatively poor and rich households. The lowest quintile spends about 47pc on food and soft drinks, compared to only about 28pc for the richest quintile.

As households move to upper-income brackets, the share of spending on food consumption falls. This is known as Engel’s law. Empirical proof of this relationship is visible in the falling share of food from about 48pc in 2001-02 for the average household. This is an obvious indication that the real incomes of households have risen steadily since then, and inflation has not eaten up the entire rise in nominal incomes. Inflation seldom outpaces the rise in nominal incomes.

Coming back to eating habits, our main food spending is on milk. Of the total spending on food, about 25pc was spent on milk (fresh, packed and dry) in 2018-19, up from nearly 17pc in 2001-01. This is a good sign as milk is the most nourishing of all food items. This behaviour (largest spending on milk) holds worldwide. The direct consumption of milk by our households was about seven kilograms per month, or 84kg per year. Total milk consumption per capita is much higher because we also eat ice cream, halwa, jalebi, gulab jamun and whatnot bought from the market. The milk used in them is consumed indirectly. Our total per person per year consumption of milk was 168kg in 2018-19. This has risen from about 150kg in 2000-01. It was 107kg in 1949-50 showing considerable improvement since then.

Since milk is the single largest contributor in expenditure, its contribution to inflation should be very high. Thanks to milk price behaviour, it is seldom in the news as opposed to sugar and wheat, whose price trend, besides hurting the poor is also exploited for gaining political mileage. According to PBS, milk prices have risen from Rs82.50 per litre in October 2018 to Rs104.32 in October 2021. This is a three-year rise of 26.4pc, or per annum rise of 8.1pc. Another blessing related to milk is that the year-to-year variation in its prices is much lower than that of other food items. The three-year rise in CPI is about 30pc, or an average of 9.7pc per year till last month. Clearly, milk prices have contributed to containing inflation to a single digit during this period.

Undoubtedly, ghee, cooking oil and sugar have a special place in our culture.

Next to milk is wheat and atta which constitute about 11.2pc of the monthly food expenditure — less than half of milk. Wheat and atta are our staple food and their direct consumption by the average household is 7kg per capita (84kg per capita per year). As we also eat naan from the tandoors, bread from bakeries etc, our indirect consumption of wheat and atta is 41kg per capita. Our total consumption of wheat and atta is about 125kg per capita per year. Our per person per day calorie intake has risen from about 2,078 in 1949-50 to 2,400 in 2001-02 and 2,580 in 2020-21. The per capita per day protein intake in grams increased from 63 to 67 to about 75 during these years. Does this indicate better health? To answer this, let us look at how we devour ghee and sugar. Also remember that each person requires a minimum of 2,100 calories and 60g of protein per day.

Undoubtedly, ghee, cooking oil and sugar have a special place in our culture. We are familiar with Urdu idioms mentioning ghee and shakkar. Two relate to our eating habits. We greet good news by saying 'Aap kay munh may ghee shakkar', which literally means that may your mouth be filled with ghee and sugar. We envy the fortune of others by saying 'Panchon oonglian ghee mei' (all five fingers immersed in ghee, or having the best of both worlds). These sayings reflect not only our eating trends, but also the inflation burden of the rising prices of these three items — ghee, cooking oil and sugar. Recall any wedding dinner. Ghee is floating in our plates. Sometimes even the rice seems to float in a cauldron of ghee-filled biryani. Aren't we what we eat? Our annual per capita availability of edible oil and ghee has risen from about 11kg in 2001-01 to about 15kg in 2018-19. It was only 2kg per capita in 1949-50.

The average household's sugar expenditure is about 3.5pc of the total food expenditure. Our annual per capita sugar consumption was about 24kg in 2018-19. This is about 16 teaspoons of sugar consumed daily by each of us. The WHO-recommended daily intake of sugar is between five to 10 teaspoons — the lower the better. Shouldn't we, therefore, be very sweet in our conversations, if not in our general behaviour? But are we? In terms of sugar we are not what we eat, notwithstanding what Feuerbach said. We are more like red chillies. Watch any prime time TV discussion programme lest you have any doubts! Feuerbach, however, correctly anticipated our bulging bellies.

Countless medical studies show that the excessive consumption of sugar and most edible oils contribute to diabetes, heart disease and obesity. But we relish it and cry like babies when the rising price of sugar pinches us. Should we be subsidising sugar and ghee, or taxing it? I think the answer is obvious. Subsidising unhealthy food is foolishness but giving cash to the poor to lessen the inflation burden makes a lot of sense. We should, perhaps, be thankful to the sugar barons who are trying their best to help us economise on our sugar consumption and promote our physical health.
(By Riaz Riazuddin Dawn, 06, 22/11/2021)

Prices of bread, bakery items set to go up

Manufacturers in Karachi have decided to give a second price-hike shock of the year to already inflation-hit consumers by increasing prices of bread and other bakery items by 10-12 per cent effective from Nov 26.

As per new price list, the large, medium, small and mini plain bread will be sold at Rs135, Rs110, Rs75 and Rs50 as compared to Rs120, Rs100, Rs65 and Rs45 rates.

The new rates of medium, small and mini milky bread will be Rs111, Rs76 and Rs51 versus Rs101, Rs66 and Rs46.

Consumers will have to pay Rs110 for bran bread as compared to Rs100, while price of cut burger bun (4 pieces) has been raised to Rs70 from Rs60.

The new prices of special burger bun and pillow pack have been fixed at Rs75 and Rs100 as compared to Rs65 and Rs90.

Manufacturers have kept the prices of fruit bun (large), school bun and burger roll unchanged at Rs35, Rs10 and Rs25.

Consumers faced a price jump of 8.5pc to 9pc in April.

In 2019, bread prices went up by over eight per cent ahead of Ramazan followed by another price hike of 9pc ahead of Eidul Azha in the same year.

In July 2020, manufacturers had raised the prices by over 11pc.

The general secretary of the Karachi Bread Association (KBA), Haroon Iqbal Sheikh, confirmed to Dawn on Sunday that the decision to enhance bread prices was taken "in view of rising rates of various materials used in bread making".

He said super fine flour price had risen to Rs3,750 from Rs3,275 per 50kg bag in April, 2021.

He said wrapping products (poly bags) price had now gone up to Rs720-750 per kg as compared to Rs675 per kg.

Ghee cost Rs322 per kg now as compared to Rs250 in April 2021, while cooking oil was selling at Rs425 as against previous rate of Rs233 per litre.

Sugar price had hit Rs150 per kg recently and but reverted to Rs96 per kg.

Mr Haroon said the losing value of the rupee against the dollar had raised the cost of imported raw material and products like preservatives, improving agents and emulsifiers.
(By Aamir Shafaat Khan Dawn, 13, 22/11/2021)

Agreement with IMF

THE good news is that Pakistan has finally struck a deal with the IMF for the resumption of the $6bn loan facility after more than six weeks of negotiations. However, the IMF dollars may take some time to arrive "subject to the implementation of prior actions", mainly those related to additional tax revenues and the State Bank's independence, as implied in the Fund's announcement on the finalisation of the staff-level agreement on policies and reforms under the programme.

Still, it has had a salutary effect on the home currency, with the rupee strengthening against the dollar on Monday. Once the deal is approved by the IMF board, it will pave the way for the transfer of $1.06bn to Pakistan, bringing the total disbursement to $3.03bn or so, and helping unlock significant funding from bilateral and multilateral lenders. That must boost forex reserves, reduce pressure on the current account and the currency, and end market uncertainty.

But how much pain will ordinary folk have to undergo as the government's policy pivot shifts from economic growth to stabilisation? Well, the bad news for low-middle-income people may continue relentlessly in the weeks and months ahead. But then, most households are already getting used to tough times. Three years of economic slowdown, elevated food and energy inflation, job losses, and consistent erosion in purchasing power should be enough to prepare for tougher future adjustments, no?

With the rupee depreciating, the current account expanding, forex reserves depleting and markets getting anxious, a deal with the IMF was imperative. The question now is: will the finance team admit to the blunder they committed by putting the IMF programme on hold to pursue rapid growth in order to improve the government's electoral prospects in 2023? More importantly, what is the guarantee they will do what it takes to implement governance and fiscal reforms for tackling the structural impediments to economic growth?

The ruling elite's failure to structurally transform the economy has brought the country to a point where no one is ready to take us at our word — and give us leeway. That is precisely what had happened when the PTI government went to the Fund back in 2019 and that is exactly what has happened now. It is time for Islamabad to prove to the world that we are serious about putting our house in order. This may not be our last chance; but the next time it is going to be even tougher.
(By Editorial, Dawn, 06, 23/11/2021)

Jobless man ends life by jumping off mall's third floor

A young jobless man committed suicide after jumping off the third floor of a famous shopping mall in Federal B. Area on Tuesday. Police said that the deceased, identified as 28-year-old Zuhair-ul-Hassan Abidi, was a resident of Incholi in F. B. Area's Block 20.

"He visited the mall alone in the second half of the day," said DSP Naeem Khan, the sub-divisional police officer (SDPO) of the Federal B. Industrial Area police station. "CCTV footage showed him roaming in the mall and after a few minutes he was spotted on the third floor from where he jumped."

He said the man hit the ground floor at a huge lounge in the centre of the mall and suffered serious injuries. He lost too much blood and died before he was rushed to a hospital, he added.

The DSP said that his family was finally traced and they told the police that Abidi was mentally disturbed due to unemployment. The body was later handed over to the family for burial.
(By Newspaper's Staff Reporter, Dawn, 14, 01/12/2021)

Monster of circular debt

NOW that the staff-level agreement has been finalised between Islamabad and the IMF to restart the suspended $6bn funding, the government appears to be looking at different options to reduce the increasing debt stock in the energy sector as agreed with the international lenders.

One such scheme, as outlined by adviser on finance Shaukat Tarin in recent weeks, wants the energy heavyweights listed on the PSX, in which the government has major stakes, to start announcing dividends for their shareholders.

The payout the government expects to receive from these companies as a shareholder would automatically get adjusted against the debts it owes to them but that it cannot pay off because of the cash crunch. By Mr Tarin's own estimation, the plan will help reduce the existing stock of circular debt by Rs300bn-Rs400bn.

Prima facie, the proposed plan looks doable and must supplement the efforts to curtail the stock of the power sector debt. The debt has already spiked to nearly Rs2.5tr and could jeopardise the power sector's viability and threaten Pakistan's energy security. But this is not the first scheme proposed for overcoming the menace of the fast-growing circular debt. We have seen many proposals in the past to liquidate the debt. But none has worked so far, at least not in the way they were intended to.

Will the authorities pull it off this time? It's hard to say at this moment with details still being worked out by the relevant ministries. In its announcement of the staff-level agreement with Islamabad, the IMF appreciated measures such as the adoption of the amended Nepra Act, notification of pending quarterly power tariff adjustments and the revision of power purchase agreements with the IPPs.

Most of these steps have only added to the burden on hapless power consumers rather than resolving the circular debt situation. The crisis facing the energy sector cannot be tackled sustainably without taming the many elephants in the room: massive distribution losses, widespread power theft and huge unrecovered bills from all consumers.
(By Editorial, Dawn, 06, 01/12/2021)

Financing provinces

THE decision in principle to stop federal development financing for provincial projects, mostly those pertaining to subjects transferred from the centre to the federating units under the 18th Amendment, may have some unintended political implications for the federation, besides increasing the smaller provinces' developmental backlog. The intention itself is understandable as the cash-strapped centre is under enormous pressure from the IMF to scale down development spending to ensure positive primary balance, or fiscal balance adjusted for net interest payments on federal debt, to eventually reduce its debt burden. Additionally, Islamabad wants to refocus its limited resources on large national infrastructure schemes by restricting its investment to areas of federal responsibilities and ensuring that the provinces take full fiscal charge of all the devolved subjects. But can it justify the decision?

Technically, the federal government has the right to withdraw from the responsibility of supporting provincial development. That was the primary objective of increasing the provincial share in federal tax receipts under the seventh NFC award before the devolution of 16 federal ministries to the provinces. However, it was contingent upon the federal and provincial tax agencies to create adequate fiscal resources for both the centre and the federating units. That hasn't happened yet. Actually, the FBR's failure to attain its tax collection targets, let alone raise the tax-to-GDP ratio, means a widening resource gap for provincial development programmes. The drastic surge in the current spending of the provinces, mainly the smaller ones, on account of their fast growing pay and pension bills, and other expenditures has further squeezed their capacity to implement their development agenda. So, in a way, Islamabad has an obligation to support them by cutting down its own unnecessary expenditure, particularly on the ministries it has devolved to the provinces.

Politically, the decision will intensify the friction between the federation and its units. For example, the move is being seen as an attempt to put a squeeze on Sindh being ruled by the PPP. The PTI has been at loggerheads with the PPP administration in the province, with its ministers and leaders picking up unnecessary fights with the provincial government. The PPP government is accused of corruption and wasting the resources it gets under the NFC. So the move will likely be seen in the context of the relationship between the PTI and PPP at a time when the new elections are approaching. But these centre-province tensions will not be limited to Sindh. Balochistan largely depends on federal money for its development since its scanty financial resources fall far short of its large development needs. The wiser course for the PTI leadership will be to take all provinces on board before making a final decision and gradually restrict its role in provincial development. More importantly, it must focus on increasing the tax base and revenue collection; expenditure cuts cannot be a long-term solution.
(By Editorial, Dawn, 06, 15/12/2021)

Ecnec approves four uplift projects worth Rs265bn

The Executive Committee of National Economic Council (Ecnec) on Wednesday approved four development projects worth over Rs265 billion, including the construction of Hyderabad-Sukkur Motorway (M6) on build-operate-transfer (BOT) basis.

The Ecnec meeting was presided over by Adviser to the Prime Minister on Finance and Revenue Shaukat Tarin. The meeting approved the revised project of construction of Hyderabad-Sukkur Motorway on the BOT basis at a cost of Rs191.471bn. The project is to be executed by the National Highway Authority and envisages construction of 306km, 6-lane, fenced motorway between Hyderabad and Sukkur.

The project would be included in the next federal budget and is expected to be completed in 30 months. The project was cleared by the Central Development Working Party (CDWP) in April and subsequently approved by Ecnec in May at a cost of Rs191.46bn with observation to address certain deficiencies. The project cost, in the meanwhile, slightly increased to Rs191.47bn.

Projects include six-lane Hyderabad-Sukkur Motorway

The project is to be implemented on the BOT user-charge basis with the provision of significantly higher financial contribution by the federal government through a capital and operational viability gap fund to improve the financial viability of the project.

As of April 12, the Public-Private Partnership Authority (P3A) was proposing Rs76bn government funding, or almost 39 per cent share, which was later increased to almost 50pc. The BOT is practically now on 50:50 shareholding from the public and private sectors.

The P3A board of directors had approved the provision of Rs92bn from the budget and through toll charges to make the Hyderabad-Sukkur Motorway project financially viable and attractive for private parties.

Earlier, the government was seeking execution of the project without budget support and wanted it to be fully funded by the private sector which did not come up with the response the government was anticipating when the BOT model was originally finalised and approved in January and March last year, respectively. At that time, the government's original share was put at Rs1.1bn, or 0.7pc.

Ecnec also approved two road projects worth around Rs48.57bn for Rawalpindi. The first project 'Land Acquisition for Lai Expressway & Flood Channel, Rawalpindi' was approved at a cost of Rs24.961bn. The committee directed that no expenditure should be incurred till completion of the environmental impact assessment (EIA) report and approval of the project from the PPP board.

The project will be executed by the Rawalpindi Development Authority (RDA) and envisages acquisition of 750 Kanals of land to provide right of way for construction of Lai Nullah Expressway and flood channel which would constitute an integral part of transportation network of Rawalpindi besides serving the purposes of flood mitigation and sewage disposal.

The second project for Rawalpindi approved by Ecnec was the controversial 'Construction of Rawalpindi Ring Road (R3), main carriageway from Baanth (N-5) to Thallian (M-2)' at an estimated cost of Rs23.606bn. The committee also directed authorities concerned to acquire the concurrence of the Planning Commission and inclusion of axle load management in the project.

The provincial annual development plan of Punjab will finance the project and the RDA will execute the project for construction of 38.3km, 6-lane, access-controlled Rawalpindi ring road.

The project had earlier led to a major scandal involving some PTI leaders on the basis of which Prime Minister Imran Khan had sacked some of his aides and some senior government officials.

The meeting also approved revised Southern Punjab Poverty Alleviation Project at a cost of Rs25.243bn. Contributions from the International Fund for Agriculture Development and the Punjab government will fund the project spread over 10 districts of Punjab.

The meeting also discussed Greater Thal Canal Project (Phase-II) but deferred a decision on it with observations to discuss it in the next meeting after considering the technical aspect of the project, inclusion of comments of Sindh in the CDWP report and addressing reservations of all stakeholders, an official statement said.

The meeting was attended by Minister for Planning Asad Umar, Minister for Industries Makhdoom Khusro Bakhtiar, Minister for Energy Hammad Azhar, Adviser to the PM on Commerce and Investment Abdul Razak Dawood, Punjab Minister for Irrigation Mohsin Leghari and federal secretaries and other senior officers from federal and provincial governments.
(By Khaleeq Kiani Dawn, 01, 23/12/2021)

Govt gets $4.6bn foreign loans in five months

The PTI government received about $4.6 billion in foreign loans during the first five months (July-November) of the current fiscal year, taking its total loan inflows to about $40bn since July 2018.

According to a monthly report on foreign assistance released by the Ministry of Economic Affairs (MEA) on Thursday, Pakistan received about $4.699bn inflows, including $4.575bn in loans and about $123 million in grants. The government has a budgetary target to obtain about $14.1bn in foreign loans and grants during the current fiscal year.

The total loans in five months included $2.93bn for programme or budgetary support (non-project aid) and $1.17bn for projects. Of this, multilateral lenders like the Asian Development Bank, World Bank, Islamic Development Bank, Asian Infrastructure Investment Bank (AIIB) and others disbursed a total of about $2bn during the first five months of the current fiscal year.

Commercial banks, including Ajman Bank, Dubai Bank, Standard Chartered Bank and Suisse AG, UBL and ABL, disbursed about $1.53bn. Bilateral lenders like China, the United Kingdom, the United States, Japan, France, Germany and Korea provided $1.041bn to Pakistan.

Total inflows since July 2018 touch $40bn

A few days back, the MEA had reported that total disbursements of foreign assistance during FY2020-21 amounted to $13.547bn, about 27pc higher than $10.7bn in FY2019-20. Disbursements in FY2018-19 had amounted to $10.82bn, taking the three-year total disbursements to $35.1bn. With $4.575bn inflows during the five months of the current fiscal year, total disbursements since July 2018 have reached about $39.65bn.

Total disbursements from multilateral lenders during FY2020-21 ending June 30, 2021, stood at $4.373bn or 33 per cent of total disbursements, led by the ADB at about $1.37bn. An amount of $454m or 3pc of the total disbursements came from bilateral development partners, particularly China, France, the US and the UK, and $4.72bn or 35pc from foreign commercial banks.

About 49pc of total external government debt of $85.6bn by the end of June 2021 came from multilateral lenders, including the IMF, followed by 25pc bilateral external debt and 11pc foreign commercial banks. The remaining 15pc of the external public debt consisted of SAFE deposit and Eurobonds (inclusive of Sukuk).

As of June 30, 2021, 70pc of total external public debt consisted of loans on fixed interest rates, while 30pc on floating interest rates. During the year, the government also paid $9.39bn on account of servicing of external public debt, including $6.94bn in principal and $1.45bn in interest payments.

The MEA has reported that the government contracted $15.32bn worth of new foreign loans from multilateral institutions and commercial banks during fiscal year 2020-21, almost 47pc higher than $10.45bn a year earlier.

With these additional loan agreements, the PTI government contracted a total of about $34.17bn in its first three years in power, according to 'Annual Report on Foreign Economic Assistance 2020-21' released by the Ministry of Economic Affairs. Total disbursements of foreign loans in three years stood relatively higher at $35.1bn in three years.

Data showed that Pakistan contracted $8.41bn in FY2018-19, followed by $10.45bn in FY2019-20 (up 33pc) and $15.32bn in FY2020-21 (up 47pc). With this, Pakistan's external public debt stood at $85.6bn as of June 30, 2021, the MEA said. As of June 30, 2020, the total external public debt had stood at $77.9bn, showing a net increase of about $7.7bn or a growth of about 10pc. The external public debt had amounted to $73.4bn by the end of June 2019.

The report explained that higher commitment during the last fiscal year was made "to mitigate the pressure on the current account deficit, strengthen foreign exchange reserves, enhance external debt servicing capacity and provide requisite financing to water sector development".

The report noted that out of $15.32bn new agreements, $6.97bn worth of financing agreements were signed with multilateral development partners, $4.66bn with foreign commercial banks and $187m with bilateral development partners. In addition, the government also borrowed $2.5bn from international capital markets through Eurobonds and $1bn from State Administration of Foreign Exchange (SAFE) Authority, China, as deposit.

Of these, an amount of $2bn (13pc of total commitments) was earmarked by multilateral development partners as programme financing to broaden and deepen the financial system and improve fiscal management and regulatory framework to foster growth and competitiveness in Pakistan. Among the multilateral development partners, the World Bank emerged as the largest development partner in terms of new commitments ($4.675bn), followed by Islamic Development Bank ($952m), ADB ($902m) and AIIB ($326m).

Of commercial loans, $4.66bn (31pc of the total) was arranged from foreign commercial banks. An amount of $4.19bn (27pc of the total) was contracted for project financing and $952m (6pc of the total) for commodity financing purposes.

Energy and power were the key priority sector for new loan agreements during the July 2020-June 2021 period with a total share of 35pc out of total committed project financing of $4.19bn. Rural development and social welfare emerged as second priority with a share of 23pc of the total project financing, followed by governance 18pc, finance and revenue 7pc, education 5pc, agriculture 5pc and transport and communication 4pc.
(BY Newspaper's Staff Reporter, Dawn, 01, 24/12/2021)

Funding review

THE government on Thursday said the IMF executive board will take up the sixth review of its suspended $6bn funding programme for approval on Jan 12. That means the country can expect the resumption of funding latest by the end of next month, followed by the immediate transfer of the two pending tranches of $1bn to the State Bank. Ideally, the announcement should have revitalised the market and ended uncertainty about future government policies. But it has not. The markets are apparently more focused on the government's ability to get the National Assembly's approval for the supplementary finance bill, 2021, and controversial changes in the State Bank Act, two of the five prior actions Islamabad has agreed to before the IMF's executive board revives its funding programme.

A report early this week had revealed that the federal cabinet had deferred approval of both the supplementary finance bill and the suggested changes in the SBP law because of political reasons. It has now transpired that there are strong differences of opinion within the PTI over new tax measures being introduced through the finance bill in the wake of the party's battering in the first phase of local government elections in KP where voters showed their frustration with the PTI for not curbing the rising cost of living. Many in the party believe that putting greater financial burden on the people through an increase in taxes could be suicidal in terms of future elections. The party's allies are also reluctant to support the inflationary measures proposed in the bill for fear of a political backlash in Punjab and elsewhere. As far as the bill — which will free the central bank from the influence of fiscal authorities and politicians on matters concerning the exchange rate and monetary policy — is concerned, the security establishment is believed to be wary of unfettered autonomy for the bank and its management. It goes without saying that the opposition has already pledged to resist the passage of the laws. So in such circumstances, it is foolish to expect that a mere announcement of the IMF board meeting for considering Pakistan's request on a particular date will end economic uncertainty stemming from the deteriorating current account deficit, depleting foreign exchange reserves and galloping inflation. The markets need much more than that: a clear policy direction for the economy. More importantly, they want to know if the government has what it takes to make tough decisions.
(By Editorial, Dawn, 06, 25/12/2021)