January 2019

NEWS COVERAGE PERIOD FROM JANUARY 21ST TO JANUARY 27TH 2019

WB GIVES $58M FOR LOW-COST HOUSING

Shahid Iqbal Updated January 27, 2019

KARACHI: The Pakistan Mortgage Refinance Company (PMRC) has received $58 million from the World Bank for low-cost housing while another $70m is in the pipeline.

The PMRC, which was established in June 2018 to promote housing sector, has already disbursed Rs1.2 billion to banks for that purpose.

“We received $58m on Friday for general housing while another $70m is in pipeline and the money will be used for the promotion of low-cost housing in the country,” PMRC CEO Mudassir H. Khan told Dawn.

The company makes advances to banks at low rates while the banks are allowed to lend this money solely for housing at their own fixed interest. PMRC builds its credit portfolio through loans from World Bank at cheaper rate.

Bank Alfalah and Askari Bank have already received money from PMRC while another two — including an Islamic bank — are engaged with the lender. Banks usually avoid long-term lending for housing sector mainly due to a lack of such long-term deposits and ineffective foreclosure laws.

“We are also negotiating with House Building Finance Corporation for low-cost housing projects and modalities are being finalised,” Khan said, adding that $58m is expected to be used within six months by banks.

Due to an acute shortage of houses (about 10m units), there is vast potential for banks and other investors to benefit from the opportunity, especially with the sector being a key priority area of the government’s socio-economic agenda.

“Being a member of Prime Minister’s Task Force on Housing, I can say that within 3-4 months a final draft would be ready for implementation,” Association of Builders and Developers (Abad) Chairman Mohammad Hassan Bakhshi told Dawn.

Since the formation of the task force, at least 10 meetings were held, chaired by Prime Minister Imran Khan. According to Bakhshi, the plan could offer small plots, houses and apartments at much cheaper rates.

Khan said his organisation’s efforts would support the government’s plan for low-cost housing but the two have no direct link. PMRC’s rate will be two percentage points less than that for three-year Pakistan Investment Bonds for low-cost housing and 50 basis points for general housing.

The State Bank of Pakistan also announced to introduce a subsidised financing facility for low-cost housing under which, banks will be lent up to Rs1m or 50pc of loan amount at an interest of 1pc while the end borrower’s will be charged 5pc.

According to SBP's recent study, the financing for housing was just 0.5pc of GDP with lack of financing being one of the key constraints hampering supply of housing units.

Published in Dawn, January 27th, 2019

https://www.dawn.com/news/1460056/wb-gives-58m-for-low-cost-housing

IDB TO PROVIDE PAKISTAN $4.5B WORTH OF OIL: FINANCE MINISTRY

By Irshad Ansari Published: January 26, 2019

ISLAMABAD: The Islamic Development Bank (IDB) will provide a three-year $4.5 billion oil financing facility to Pakistan, the finance ministry announced on Saturday.

The IDB had activated the facility for Pakistan in July 2018 and, according to a finance ministry spokesperson, the financial institution would provide Pakistan $1.5 billion worth of oil on deferred payment each year.

The spokesperson added that oil worth $100 million have already been received in the first phase of the assistance programme, with $270 million worth of supplies scheduled for the second phase.

The finance ministry official also hinted at a similar deal with the IDB for the supply of Liquefied Natural Gas (LNG), stating that talks were underway to finalise an agreement in this regard.

The ministry further said that oil supply agreements with Saudi Arabia have been formalised and Pakistan would be able to avail oil on deferred payments from Riyadh starting mid-February.

The official added that discussions are being held to iron out a similar facility with the United Arab Emirates (UAE).

The development comes a day after the State Bank of Pakistan received the last tranche of $1 billion from Saudi Arabia.

The inflow marked back-to-back receipt of $1 billion deposits in SBP foreign currency reserves for the second successive day, under the friendly countries' economic assistance package.

On Thursday, UAE deposited $1 billion under its recently announced $3 billion cash programme for Pakistan.

https://tribune.com.pk/story/1897354/1-isdb-provide-pakistan-4-5b-worth-oil-finance-ministry/

NEWS COVERAGE PERIOD FROM JANUARY 7TH TO JANUARY 13TH 2019

WB TO PROVIDE $100M FOR SINDH SOLAR ENERGY PROJECT

RECORDER REPORT

ISLAMABAD: The government of Pakistan and World Bank Wednesday signed a financing agreement worth $100 million for Sindh Solar Energy Project with the objective to increase solar power generation and access to electricity in Sindh province.

The project spanning over three market segments, including utility scale, distributed generation and at the household level, will support the deployment of solar power in Sindh.

The utility scale solar includes development of solar parks to support private sector investment and launching of Pakistan's first competitive bidding for solar power production, starting with an initial 50MW pilot solar auction.

The distributed solar includes at least 20MW of distributed solar PV on rooftops and other available spaces on and around public sector buildings in Karachi, Hyderabad and other districts of Sindh, besides provision of solar home systems to 200,000 households in the areas with low or no electricity access.

The total cost of the project is $105 million. The International Development Association (IDA) will extend financing of $100 million for the project and government of Sindh will contribute $5 million. Public funding will be used to leverage private sector investment and/or expertise in the three segments, with an emphasis on long-term sustainability, developing domestic solar PV experience and the emergence of self-sustaining markets.

The project will introduce and showcase international best practice with renewable energy auctions, reduce the headline cost of solar deployment, create sustainable business models for potential replication, build institutional and private sector capacity, and identify opportunities for future renewable energy deployment that address issues of grid integration. The project is designed to help steer Pakistan towards a lower-carbon path to development.

Secretary Economic Affairs Division (EAD) Noor Ahmed signed the financing agreement on behalf of the government of Pakistan while Secretary Energy Department, government of Sindh, Musadiq Ahmed Khan signed the project agreement on behalf of the provincial government.

Country Director World Bank Patchamuthu Illangovan signed the financing and project agreements on behalf of International Development Association.

Illangovan in a tweet stated, "Sindh Solar Energy Project will reduce Pakistan's carbon footprint and support power producers to develop 400MW of new solar power. 200k households will get solar home solutions."

The Secretary EAD thanked the World Bank for extending its continuous support to the government of Pakistan in its efforts to achieve sustainable economic development in the country.

https://epaper.brecorder.com/2019/01/10/20-page/757984-news.html

February 2019

NEWS COVERAGE PERIOD FROM FEBRUARY 18TH TO FEBRUARY 24TH 2019

RMC TURNS TO WORLD BANK TO LAUNCH PROJECTS

By Our Correspondent Published: February 22, 2019

RAWALPINDI: With the provincial government imposing a ban on launching development schemes, even those from its own resources, the municipal government in Rawalpindi has turned to an unlikely source to fund and launch development schemes in the city — the World Bank.

The Rawalpindi Municipal Corporation (RMC) has forwarded schemes worth of Rs100 million to the World Bank Development Loan scheme.

The new schemes to be built under the scheme include the construction of a road from Kashmiri Bazaar to Ratta Leh Bridge road, along with the Holy Family Hospital and Muhalla Raja Sultan Road as these roads were in poor shape.

Moreover, a sewerage drain will be built in Union Council 27 while the boundary wall of a graveyard will be built. Several vehicles and heavy machinery of the RMC will be repaired with the money as well.

Previously, the RMC has not been able to kick-off development schemes worth of Rs650 million in 46 UCs of the city for the past six months after the provincial government refused to issue funds and also effectively barred the municipal corporation from issuing tenders for any new projects.

Rawalpindi Mayor Sardar Naseem Khan said that the difficulties faced by the citizens were piling up by the day because of the ban on issuing tenders.

He further complained that local representatives have not been allowed to commence development schemes even from the funds which had been generated at the municipal level.

He clarified that they were not seeking any kind of grants from the provincial government for these schemes but had still been blocked from working on development schemes.

The Rawalpindi Development Authority (RDA) has decided to change the scheme in-charges who have been deployed in a single position for a long period of time.

Orders in this regard were issued after a notice was issued by RDA Chairman Arif Abbasi to change long-serving in-charges in seven housing schemes of RDA including Asghar Mall, Sherpao Colony, and Millat Colony.

Further, Abbasi has directed to conduct a survey in 14 housing schemes of the authority to identify those houses which have not been built as per their building plan.

Subsequently, the RDA chairman said that encroachments will be torn down and that authority will fine landowners who had violated their building plans.

Further, RDA has been slow to recover fees for new water connections having recovered only Rs100.5 million in the past seven months despite having set an annual target of Rs250 million.

The department has severed as many as 400 illegal water connections in the previous month but a large number of illegal water connections are still operating in different parts of the city.

The department claims it has issued notices to some 11 water bill defaulters.

A citizen has filed a complaint claiming that the anti-encroachment department of the Rawalpindi Cantonment Board (RCB) was extorting those who encroach on state land instead of removing them as per court orders.

In a written complaint filed at the RCB Care Centre, Ghulam Muhiuddin has claimed that RCB employee Raja Nadeem, who masquerades as an Enforcement Inspector, had extorted him on a monthly basis to keep his business running.

He added that he had allegedly been paying the inspector Rs10,000 every month for a year through his subordinate Sarfaraz. However, the inspector was now demanding to increase this monthly rate and had threatened Muhiuddin face the consequences if he did not comply with his offer.

He demanded the higher authorities reimburse him and to take legal action against the official.

A spokesperson for the RCB said that they will conduct an inquiry based on the complaint and if found guilty, the suspects would be punished.

In a bid to protect the public, the RMC has issued final eviction orders to residents of some 280 worn-out buildings in the older parts of the city.

The eviction orders were after the incidents of buildings collapse during the ongoing rainy season.

Building owners and residents have been served final eviction notices to immediately evacuate these buildings. They have been warned of legal action if they fail to abide by the orders.

The RMC plans to demolish these buildings once they have been evacuated to eliminate any threats to the public.

The old and crumbling buildings are located in the old areas of the city including Bhabara Bazaar, Sarafa Bazaar, Shah Chan Chirag, Pull Shah Nazar, Akal Garh, Usman Pura, Kartar Pura, Chatyan Hatyan, Bohar Bazaar, Trunk Bazaar, Moti Bazaar, Purana Qila, Jamia Masjid Road, Mohalla Niyariyan, Bani Muhalla , Waris Khan along with the suburban area of Ghazni Road near Lal Haveli.

Most of these are three-storey buildings while four to six families, on an average, live in them.

However, the residents have not evacuated these buildings despite their decrepit condition due to the low rents.

Further, most of the owners of these buildings are the employees of Auqaf Department however they have not renovated these buildings due to a shortage of funds.

Published in The Express Tribune, February 22nd, 2019.

https://tribune.com.pk/story/1915852/1-rmc-turns-world-bank-launch-projects/

NEWS COVERAGE PERIOD FROM JANUARY 28TH TO FEBRUARY 3RD 2019

GOVT SEEKS $400M LOAN FROM WORLD BANK

By Shahbaz Rana Published: February 3, 2019

ISLAMABAD: The Pakistan Tehreek-e-Insaf (PTI) government is seeking $400 million or Rs56 billion loan from the World Bank (WB) for a risky venture of fixing the country's ailing tax system amid apprehensions that foreign-funded reforms package in the past had not yielded desired results.

The Federal Board of Revenue (FBR) and the WB are negotiating the $400 million that attaches conditions like setting up a constitutional body to resolve tax disputes between the Centre and the provinces, according to the government sources.

It also seeks change in tax structure for the agriculture sector, which is a contentious issue due to strong influence of landlords on economic policymaking.

But the Economic Affairs Division has not yet made a formal request for the loan, although FBR and the WB have covered significant ground during past few months.

If cleared by its board, it will be the second full-scale attempt by the WB to reform the FBR in the past 14 years. Its earlier $150 million worth of Tax Administration Reforms Project badly failed to yield the desired results and the money went down the drain.

Like the last package, the WB is again planning to bring reforms in tax administration and tax policy simultaneously. As a result of these reforms, the FBR's workforce at headquarter may be slashed by nearly 20 per cent, according to the sources who are involved in loan consultations.

For over two years, the WB has suspended approvals of new policy loans due to deterioration in Pakistan's macroeconomic indicators. One of the conditions for qualifying for the policy loan is to have official foreign currency reserves sufficient to finance minimum two and half months of imports. Pakistan does not fulfil this condition.

The programme for result financing, known as PfR, is a hybrid financing instrument that could be used to extend the $400 million loan.

The WB is emphasising upon development of a tax policy framework that also supports harmonisation of provincial taxes. One of the conditions of the loan is setting up a constitutional body – the National Tax Council – to solve issues between the Centre and the four federating units.

The Washington-based lender is seeking common policy and administration for sales tax and income tax aimed at ending overlapping of policies of federal and provincial revenue authorities.

The separation of tax policy from the FBR's administration has also been embedded in the policy matrix, although the federal cabinet has already approved it.

The WB estimates Pakistan's tax gap at 10 per cent of the Gross Domestic Product or Rs3.8 trillion, which is equal to 100 per cent of last year's revenue collection.

Pakistan's current tax-to-GDP ratio is 12.6 per cent of the GDP, which according to the WB should be 23 per cent of the GDP.

However, the independent experts believe that given the FBR's administrative challenges and non-compliant tax culture, the true tax potential is not more than 17 per cent of the GDP. This means Pakistan is still losing Rs1.7 trillion revenue annually due to corruption, leakages and poor capacity.

The sources said the WB was also arguing to shift from profit-based income tax to turnover taxation. They said that the lender was claiming that it could reduce tax evasion by around two-thirds by the corporate sector.

The WB is also asking for changing tax structure for the agriculture sector. Currently, the agriculture sector's tax is collected on the basis of holding and income by the provinces. The lender wanted to introduce presumptive taxation on the turnover basis, according to the sources.

There was also a proposal to integrate sales tax collection on goods and services on Indian model but this may face resistance from provinces. There is a strong view that provincial governments are underperforming on tax collection when compared to the federal government.

Among the 13 federal countries, Pakistan is second to last on the performance of provincial governments on tax collection. While the services sector accounts for 56 per cent of the GDP, it contributes only 0.5 per cent of the GDP to the taxes and about 11 per cent to the sales tax collection.

The issue of withdrawing remaining sales tax exemptions also came under discussions during talks with the WB local office, the sources said.

The WB analysis is that Pakistan has a complex tax system of over 70 unique taxes and at least 37 government agencies administer these taxes.

Through $400 million lending, the WB is keen to help Pakistan develop a long term tax policy. But there are concerns that the money may ago be spent on building new office buildings and procuring furniture as had happened with the TARP.

The WB is also pushing for decisively moving towards a functional organisational structure to overcome current fragmentation and inefficiencies in the FBR.

It is of the view that the functional system permits standardisation of similar processes across all taxes and facilitates simplification of procedures.

https://tribune.com.pk/story/1902682/2-govt-seeks-400m-loan-world-bank/

INDIGENOUS REFORMS TO FIX ECONOMY: DFID

The Newspaper's Reporter Updated February 02, 2019

ISLAMABAD: It is important for Pakistan to develop a home-grown economic reforms programme, with focus on widening the tax base and increasing investment and competitiveness, said DFID Chief Economist Dr Rachel Glennerster on Friday.

In a statement, Dr Glennerster further said that the United Kingdom Department for International Development (DFID) has pledged its support to Pakistan in providing assistance to raise more tax revenue, improve the business environment and invest in greener energy initiatives.

She further said that DFID is committed to supporting the government's drive to grow the economy and improve investment climate. This will improve living standards and create jobs for younger people entering the market, she added.

The DFID chief economist during her three-day visit in Islamabad discussed technical assistance and support for economic reforms to improve investment climate with Minister for Finance Asad Umer and other officials.

Published in Dawn, February 2nd, 2019

https://www.dawn.com/news/1461327/indigenous-reforms-to-fix-economy-dfid

GOVT TO STRENGTHEN SINDH'S FISCAL PLANNING WITH WB HELP: MURAD

Habib Khan Ghori February 02, 2019

KARACHI: The Sindh government is set to launch World Bank-supported Medium-Term Fiscal Framework (MTFF) and fiscal responsibility and debt management legislation (FRDML).

In this regard, Chief Minister Syed Murad Ali Shah met a team of World Bank experts and officials of the Sindh finance department.

The World Bank was represented by Mehwish Ashraf, Fernando Blanco, Ariel Melamud and the finance department's five-member team was led by secretary Najam Shah.

The CM said that the objective was to strengthen Sindh's fiscal planning through preparation of the MTFF that was also expected to support budget preparation and improve resource allocation.

The CM wants to introduce a fiscal policy to cut non-development expenditures

He added that the adoption of fiscal responsibility and debt management legislation would enhance credibility and predictability of the fiscal policy.

The WB economists said that the MTFF was an instrument for fiscal planning, which would facilitate more effective resource allocation. It was a tool that integrated policy of objectives with public resources allocation decisions under a multiyear framework.

The finance secretary said that the MTFF would improve the consistency of resource availability, expenditure needs, resource allocation and medium-term fiscal restrictions.

He added that the finance department under the guidelines of the chief minister had prepared a framework in consultation with the bank's experts.

He informed the chief minister that his team was examining the existing rules and would suggest necessary legislation to launch MTFF and fiscal responsibility and debt management.

The chief minister said that his objective was to introduce a fiscal policy under which non-development expenditures could be controlled by creating more fiscal space for social sector.

The Sindh chief minister is keen to strengthen the province's fiscal planning through preparation of a medium-term fiscal framework. In the past the development projects used to be allocated small amounts for initiating work on the project, whose completion period used to spread over years increasing the estimated cost.

According to reports, during the last two years, the development budget has been slashed from Rs750 billion to Rs500bn through budget discipline. In the coming year, it was reported that the volume of the development budget would further be reduced by Rs1.5bn.

Sources said that a committee had also been constituted to draft legislation within 15 days in accordance with financial discipline targets. The draft bill would be sent to the law department for assessment before presenting it to the assembly for legislation.

In future, according to the sources, no budget allocation would be possible outside the rules of the budgetary discipline framework.

Published in Dawn, February 2nd, 2019

https://www.dawn.com/news/1461231/govt-to-strengthen-sindhs-fiscal-planning-with-wb-help-murad

SINDH GOVERNMENT HANDS OVER 20 USAID-FUNDED SCHOOLS TO EMOS

RECORDER REPORT | JAN 31ST, 2019 | KARACHI

The Sindh Government and Education Management Organisations (EMOs) have signed an agreement to operate 20 schools constructed under USAID Sindh Basic Education programme. Under these agreements, Sukkur IBA University will manage nine newly constructed schools and 17 priority schools under district package – Sukkur and Larkana. TCF will manage 11 newly constructed schools and eight priority schools under district package of Dadu and Qamber-Shahdadkot.

Sindh Chief Minister Syed Murad Ali Shah, United States Agency for International Development (USAID) deputy mission director for Sindh and Balochistan John Smith-Sreen, and Education Minister Syed Sardar Shah witnessed the agreements signing ceremony, held at CM House where senior officials from the US Government, Education Department, SBEP partners and representatives from civil society organizations attended the ceremony.

Secretary School Education Qazi Shahid Pervaiz and two selected EMOs, Sukkur Institute of Business Administration (IBA) University and The Citizen Foundation (TCF) inked the agreements to manage these schools for a period of 10 years.

Sindh Chief Minister Syed Murad Ali Shah said the US government through USAID was contributing $159.2 million whereas the Sindh government was also providing $10 million cost share for SBEP. He added that the project was aimed at increasing and sustaining student enrolment in primary, middle, and secondary public schools in selected areas of the province, with a special focus on bringing back girls who have dropped out of schools. Shah said in addition to constructing schools, SBEP would also support the government’s reforms in education, school consolidation, merging and upgrading, community mobilization, public-private partnerships and improving reading competencies of students in schools.

John Smith-Sreen emphasized the US govt’s commitment to support education in Pakistan. Syed Murad Ali Shah expressed appreciation for USAID-SBEP and the US govt’s strong support in modernizing education in Sindh. He added that Sindh government was the pioneer in launching Public-Private Partnership (PPP) reform by outsourcing the operations and management of public sector schools for a period of 10 years to Education Management Organizations (EMOs) under concession agreements.

It may be noted that USAID's SBEP is constructing up to 118 modern school buildings in nine districts in Northern Sindh. They are Dadu, Jacobabad, Kamber-Shahdadkot, Kashmore, Khairpur, Larkana, Sukkur, Shikarpur and Ghotki and five towns of Karachi – Bin Qasim, Gadap, Kemari, Lyari, and Orangi. Currently, construction of 47 schools have been completed out of which 23 schools have already been handed over to six EMOs and 20 additional schools are awarded through this signing ceremony. The construction of remaining schools is in process and at various stages of completion.

https://fp.brecorder.com/2019/01/20190131443611/

March 2019

NEWS COVERAGE PERIOD FROM MARCH 25TH TO MARCH 31ST 2019

UPLIFT SCHEMES WORTH $150M TO BE LAUNCHED IN BAHAWALPUR

By Our Correspondent Published: March 31, 2019

BAHALWALPUR: Development projects worth $150 million will be launched in Bahawalpur under the Asian Development Bank (ADB) Programme.

According to a statement issued on Saturday after Bahawalpur Municipal Corporation Mayor Aqeel Najam Hashmi's meeting with an ADB Programme team, the uplift schemes are part of the 'Clean and Green Bahawalpur' initiative.

The mayor said the initiative encompasses provision of clean drinking water, urban transport, installation of a new sewerage system from Koh-e-Noor Hotel to Laal Bagh and from Dewanwali Pulli to the bypass and other schemes.

The corporation's chairman, Qayyum Azam, said development and public welfare projects in Bahawalpur were the need of the hour and would raise the living standard of residents.

ADB Programme Head Loyd Wright said the meeting with the city's officials was productive and many development projects were discussed. He added that work on these schemes would start in the coming fiscal year.

Later, the ADB Programme delegation met Bahawalpur Division Commissioner Nayyar Iqbal.

https://tribune.com.pk/story/1940695/1-uplift-schemes-worth-150m-launched-bahawalpur/

IMF PROGRAMME – JUST AROUND THE CORNER

BR Research March 27, 2019

The IMF team is in Pakistan – final round of negotiations is underway, and it will be a continuous process till IMF-WB spring meetings where the programme is likely to be finalized. Ministry is targeting first tranche in June or July. The question is on the conditionality – there are two broad contours, one is on exchange rate and monetary policy – SBP domain; and other is fiscal, including energy circular debt – MoF domain.

BR Research channel checks confirm that development has taken place on the pricing issues – exchange rate and interest rates, while the fiscal side plans are going to be shared with the IMF in this trip. The good news is that the IMF has significantly relaxed pricing conditions, and now the talks are on the mechanism, not numbers anymore.

For instance, earlier the Fund was asking for specific rates – such as Rs170/USD or 14 percent policy rates. Now the discussions have graduated to fundamentals – the IMF is probably agreeing on 200 bps real interest rates. Seeing that, another 25-50 bps increase in policy rate on Friday is expected, and based on inflation outlook, a reversal in monetary policy cannot be called off in 6-9 months.

On exchange rate, there are talks on making an SBP internal fund – ammunition to defend the currency in the short term. For example, put $500 million aside in SBP for managing exchange rate, and the balance has to be net zero quarterly i.e. the SBP would have the flexibility to use the fund to manage volatility and the amount used has to be rebuilt within the quarter. Meanwhile, SBP may use REER for maintaining the fair value of currency. According to BR calculation, the fair value is somewhere between $145-150/USD – (for details read “Dollar dairy: Don’t go the Dar’s way” and “Currency equilibrium -almost there”).

Thus, the rumours lately circulating about the currency approaching Rs170-180/USD are uncalled for. The number quoted in news reports, based on calculations, for energy price revision was a scenario based analysis where different levels of international oil prices and currency values are used to present respective energy prices increase need. That does not mean that the government is actually using these numbers for gas and electricity prices increase.

The thorny issue in hand is on the fiscal side. The IMF wants the primary deficit to be eliminated. Last year the primary deficit was around 2 percent of GDP, and it may not be much different in ongoing year, the condition would be to bring it to zero in FY20. The MoF is trying to bring the quasi fiscal operations in the equation, as including the energy sector related debt; the fiscal deficit could have reached 8.5-9 percent in FY18.

The government is working on reducing the power sector losses – not much has yielded so far, but MoF wants the condition of lowering of deficit by 2 percentage points including the improvement in the energy sector. This will require further increase in energy prices – both gas and electricity, as merely lowering losses will not cut the deal. The progress so far is not encouraging as circular debt is growing at even higher pace. In short energy prices upward revision is a must.

Apart from energy, the government is required to enhance the tax revenues significantly in FY20. MoF is thinking about lowering the tax exemptions, reversal in individual income tax, and betting on higher economic transactions through tariff rationalization and eliminating the distinction between filer and non-filers. There are no apparent plans to increase GST or bringing any change in corporate income tax.

The tax exemption phasing out is interesting and has potential, but it is not an easy task. The idea is to not let businesses or individuals to park income earned from taxed sectors in untaxed segments – such as sugar companies parking the income from the said business in agriculture. Similarly there is potential to extract taxes from cement, steel and other businesses.

MoF is convincing the Fund to not look at deficits in isolation, the government has a desire to revive growth and churn taxes through higher economic activities. That is why the plan is to eliminate distinction of filers and non-filers in tax collection – mainly in cash withdrawal. The excess amount out of the system in the past 3.5 years due to this tax is over Rs1 trillion – (for details read "Doing away with the transaction tax"). It is not clear whether the relaxation will also be implemented on real estate transactions.

The bad news for salaried class is that the unbelievable lower taxes Miftah offered last year will be reverted to FY18 levels. On expenditure, the development spending will remain low next year as well while not much to gain from so called austerity drive.

That is the story on conditions of the IMF and government plans in offing. The Fund package would be around $6-7 billion with first tranche to be a little higher while the rest will be divided in equal tranches over three years. The government has more interest in IMF's nod over the amount to be fetched directly as $5-6 billion inflows from WB and IMF in next fiscal year are linked to the IMF letter of comfort.

https://www.brecorder.com/2019/03/27/483563/imf-programme-just-around-the-corner/

NEWS COVERAGE PERIOD FROM MARCH 11TH TO MARCH 17TH 2019

WB MAY CANCEL $38M WATER LOAN

Amin Ahmed Updated March 17, 2019

ISLAMABAD: The World Bank has warned of cancelling its soft loan of $38 million to support the management and development of water resources in the Indus River, after finding little progress on the project since its approval in 2008.

The credit from International Development Association (IDA) for the water sector capacity building and advisory services project was aimed at improving the management of water resources and strengthen those federal institutions involved in water resource planning, management and development. The loan has a maturity period of 35 years with a 10-year grace period.

The mid-term review of the project has been planned to be undertaken in June this year, and if this review does not find significant improvement in implementation process and disbursement of project funds, partial or even full cancellation of the credit will need to be considered, to enable these funds to be more usefully deployed within Pakistan, a report of the bank said.

The project steering committee met early last month after a long hiatus, and the key decisions taken included the approval of the inclusion of key new activities in the project plan, including the establishment of 'policy implementation cells' within the relevant ministry to implement the National Water Policy and National Flood Protection.

Procurement for improvement in water resource management and development has progressed reasonably with two key Wapda-led activities advancing to signed contracts. These are a major flow forecasting study and supply and installation of new automatic weather stations and other hydromet stations.

The PC-II of the project was being revised to address new high priority areas and will be submitted to the Planning Commission

Published in Dawn, March 17th, 2019

https://www.dawn.com/news/1470162/wb-may-cancel-38m-water-loan

WORLD BANK FUNDS

Editorial March 13, 2019

IN this era of skyrocketing foreign borrowing and slashed development expenditures, it is almost a travesty that the disbursement of up to $2.3bn of World Bank funds should be held up due to bureaucratic red tape. The issues behind this delay are petty — such as the failure to open the bank accounts where the funds are supposed to be deposited. Other than this, there are conflicting procurement guidelines and staffing issues, because officers with a key role to play in the development projects for which the funds are intended have not yet been appointed. Up to 27 development projects of the federal and provincial governments are impacted because their funds have not been released. In the same period, the government has borrowed up to $6bn from foreign sources, and is continuing to slash development projects in order to contain the fiscal deficit.

The irony of the situation is difficult to miss. Pakistan has borrowed extensively from the World Bank in the past, and though a great deal of bureaucracy is involved in dealing with this multilateral lender, it is not exactly an impossible task to do so. If the government is genuinely short of resources and opposed to slashing the development budget unless absolutely necessary, it is reasonable to expect that it would have focused on this issue and made an early, genuine attempt to unlock the funds and keep the development work going. The fact that it has dropped off the government's radar shows that the senior leadership of the economic team has been distracted from its core task. It has been unable to get a grasp on its own division and its associated departments, and navigate important issues through the bureaucracy even though it holds the key ministerial positions required for the job. Instead, the economic managers have touted borrowing from friendly countries as their signature achievement. This has to change. The economic team, led by the finance minister, must get a handle on the current state of affairs. To do this, the finance leadership has to extricate itself from the clutches of powerful vested interests that permeate the ministry, whether they pertain to the bureaucracy or private-sector lobbies or any other, and assert its own authority independently over the finance division. Such elementary failures of leadership happen when those at the top have gone into reactive mode, and are thereby failing to see reality with their own eyes.

Published in Dawn, March 13th, 2019

https://www.dawn.com/news/1469358/world-bank-funds

SINDH GOVT PLANS $358.83M UPLIFT PROJECTS WITH ADB HELP

The Newspaper's Staff Reporter Updated March 13, 2019

KARACHI: The Sindh government has planned to launch an ambitious development plan costing $358.83 million with the assistance of the Asian Development Bank (ADB) pertaining to different projects of economic progress, improvement in school education system, roads' development and Karachi BRT Red Line to improve urban transport system besides initiating a bus fleet consisting of 217 vehicles at a cost of Rs562.3 million, from next financial year.

In this connection Chief Minister Syed Murad Ali Shah had a detailed meeting with an ADB delegation led by its director general Werner E. Liepach.

The participants in the meeting agreed to launch the projects after completion of necessary documentation, including strengthening a public-private partnership unit.

ADB country director Xiaohong Yang, financial sector specialist Sana Masood and executive director Shahid Mehmood, were part of the delegation.

The Sindh chief minister said he wanted to start the BRT project from next financial year.

The ADB has provided a project development assistance of $9.7m to improve urban transport system (UTS) of Karachi.

The ADB is providing technical and financial support for the Red Line BRT.

The chief minister and ADB DG also discussed Sindh Secondary Education Improvement Project ($165m).

The project would support Sindh school education system.

The Provincial Development Working Party had cleared the project last year and 105 schools have been selected. Its phase-I would be launched from next financial year.

The chief minister along with his team also discussed Rs41,200m 847km long Sindh provincial roads, phase-II project.

Under this project 19 roads will be reconstructed.

The infrastructure and social service needs of Sindh exceed the provincial public resources available, it was stated.

To address the significant infrastructure requirements in an efficient, cost-effective manner and to enable further private participation in delivering infrastructure service, the Sindh government sought ADB assistance to expand and improve public private partnerships (PPPs) in Sindh. The project is estimated at $184.13m where ADB and Sindh government would share 35 per cent cost of the project. Under the project overall PPPs unit would be strengthened.

CM Shah has said that Sindh Madressah Board (SM Board), established in 1885 by Khan Bahadur Hassanally Effendi, is one of the oldest and prestigious boards, which has worked hard for promotion of quality education, particularly in the backward and rural areas of Karachi.

The chief minister said this while talking to a delegation of the SM Board here on Tuesday.

Published in Dawn, March 13th, 2019

https://www.dawn.com/news/1469239/sindh-govt-plans-35883m-uplift-projects-with-adb-help

NEWS COVERAGE PERIOD FROM MARCH 4TH TO MARCH 10TH 2019

WB AGREES TO INVEST $2BN IN KARACHI PROJECTS

The Newspaper's Staff Reporter March 05, 2019

KARACHI: The World Bank has agreed to launch $2 billion projects in Karachi to turn it into one of the most developed and beautiful cities of the world.

The projects to be undertaken are meant to improve urban mobility through infrastructure rehabilitation, capacity building of the mass transit authority, to manage all the BRT systems, to improve civic services in the metropolis, to introduce reforms in the KWSB delivery system, waste-water treatment services, and to enhance urban management, including the KMC and all DMCs' service delivery.

These projects were agreed upon in principle during a meeting between Sindh Chief Minister Syed Murad Ali Shah and World Bank delegation, led by its country director Patchammuthu Illangovan, at CM House on Monday.

They also agreed that all legal formalities would be completed within a month for forwarding them to the World Bank board for approval and its all documentation would be completed by early April so that projects could be initiated soon.

The 16-member Bank delegation included Senior Director Ede Jorge Ijjasz-Vasquez, practice manager David Seth Warren, operation manager Melinda Good, programme leader Lixin Gu and transport specialist Said Dahdah.

The CM was assisted by Local Government Minister Saeed Ghani, Excise Minister Mukesh Chawla, Transport Minister Awais Qadir Shah and Adviser Murtaza Wahab.

The projects which were agreed to be started include the Karachi Urban Mobility Project of $400 million; Karachi Water and Sewerage Services Improvement Project of $1.6 billion and Competitive and Liveable City of Karachi of $230m.

The KUMP project is aimed at improving urban mobility, especially for women accessibility and road safety. Under this project a BRT Yellow Line corridor, including infrastructure rehabilitation, and BRTS system would be constructed.

The WB country director agreed to take up the project and asked the government to furnish all the relevant documents, PC-I and other layout plans so that it could be sent for final approval from their board.

Referring to the KWSB, the chief minister said there was a need for restructuring and rehabilitation of its entire water supply and drainage system to improve its delivery system, but that objective could be achieved only with WB support. Mr Shah recalled that the WB on a request of the Sindh government had studied the problems of water and had envisaged a plan to provide safe and reliable water and sewerage services and encourage private sector investments in water supply and waste-water treatment.

The WB experts said that reforms in the water board were required in three sectors. First, raising operational capacity for safe, sustainable and equitable water service supply to all customers. Second, the restoration of the water board's financial stability and, third, governance and institutional reforms in the KWSB.

The Sindh government and the WB agreed to approve the project for which all legal formalities would be completed within a month and the project would be sent to the World Bank board for approval.

In that connection the chief minister formed a committee under P&D chairman Mohammad Waseem , water board MD Asadullah Khan and K-IV PD Asad Zamin to meet all the requirements of the Bank and submit to them the PC-I and other documents.

The CM further said that to make Karachi a competitive and liveable city, he wanted to enhance urban management and service delivery of the Karachi Metropolitan Corporation and all the DMCs of the city.

Published in Dawn, March 5th, 2019

https://www.dawn.com/news/1467620/wb-agrees-to-invest-2bn-in-karachi-projects

April 2019

NEWS COVERAGE PERIOD FROM APRIL 1ST TO APRIL 7TH 2019

KP GOVT SEEKS $120 MILLION WB LOAN TO DEVELOP TOURISM

Amin Ahmed Updated April 07, 2019

ISLAMABAD: As part of Prime Minister Imran Khan's reform agenda, the Khyber Pakhtunkhwa government has sought financing of $120 million from the World Bank to improve tourism-enabling infrastructure, enhance tourism assets and strengthen destination management for sustainable tourism development in the province.

A World Bank team is currently evaluating the project, and it is expected that after getting the loan from the WB's soft loan window, International Development Association (IDA), the project will be launched during the next fiscal year. The bank is expected to approve next month the loan for the project estimated to cost $127 million.

Project will support activities to overcome infrastructure bottlenecks at popular tourist sites

In line with the reform agenda, the KP government has put economic revitalisation, job creation and tourism destination development at the centre of its development roadmap. To achieve these objectives, including through its Integrated Tourism Development Project (KITE), had approached WB through the federal government for assistance.

The proposed project will support activities to overcome infrastructure bottlenecks at popular sites in Kalam and Galyat; encourage higher tourist spending through the development of quality tourism products in Chitral while lifting visitors' pressure off the valleys that host the indigenous people of

Kalash; and equip authorities with the tools for visitors management and environmental preservation, including in Naran.

KP is Pakistan's tourism treasure chest and is fast becoming a destination of choice for domestic tourists. It is well endowed with natural resources shaped by Hindukush and Himalayas mountains with stunning alpine landscapes, wildlife, lush forests and numerous glacial lakes.

It boasts historical and religiously significant sites covering over 2,000 years of Buddhist, Muslim and Christian histories. These include 6,000 sites of Gandhara heritage, some of which have been excavated and restored by the KP Directorate of Archaeology and Museums and are now accessible to visitors.

Published in Dawn, April 7th, 2019

https://www.dawn.com/news/1474444/kp-govt-seeks-120-million-wb-loan-to-develop-tourism

IMF DEAL TO BE INKED BY MONTH END: ASAD

Khaleeq Kiani Updated April 06, 2019

ISLAMABAD: Finance Minister Asad Umar on Friday said an agreement with International Monetary Fund (IMF) for an economic assistance package would be signed by end of this month.

Talking to a group of media persons, the finance minister said the economic package would be finalised in principle with the fund during spring meetings (April 12-14) of the World Bank and IMF in Washington where he would hold discussions with the Fund authorities. This would be followed by an IMF mission's visit to Pakistan to formally conclude a programme for signing.

The finance minister said he would share the medium-term macroeconomic framework with the Standing Committee of the National Assembly on Finance and Revenue on Monday to explain the government's economic roadmap over the next few years. He further said he had committed to the parliamentary panel to strengthen the institution of NA's standing committee.

Mr Umar denied reports that Pakistan had agreed to the devaluation of rupee with the IMF as claimed by former finance minister Ishaq Dar, saying the IMF had not even demanded currency depreciation. IMF discussions with the SBP are in progress on exchange rate management but not at all on fixing rupee-dollar rate, he added.

He reiterated that this programme would be Pakistan's last programme and noted that the recent depreciation of rupee is being fuelled by speculations and fake news otherwise the SBP had announced in clear terms that rupee had achieved its equilibrium.

He advised people not to be misled by rumours to invest in dollar and instead invest in stocks and real estate that had reached their lower levels and would rebound.

He, however, explained that depreciation until a week or 10 days ago was due to increase in demand of the dollar owing to large current account deficit (CAD) of $19 billion. "This (increase) happens after every four to five years due to the current account deficit," he said

During the last five year tenure of Pakistan Muslim League-Nawaz (PML-N), CAD increased from $2.5bn in 2013 to $19bn in 2018. The then government had taken the IMF programme owing to balance of payment crisis in 2013.

The situation was much worse in 2018 when CAD reached $19bn and was increasing at an average pace of $2bn monthly in the last three months of its tenure.

The finance minister said the top priority of the current government is to stop and reduce CAD. The government has been able to curtail the eight-month trade deficit to $21.5bn, from $24bn of the same period last year while CAD was contained to $8.5bn in eight months from $11bn of the same period last year.

The minister said there was no denying the fact that high inflation is affecting people but it is nothing when compared to the first eight months of the two tenures of the Pakistan People's Party (PPP) and PML-N governments.

He said inflation had increased by 25 per cent in first eight months of PPP and 10pc in eight months of PML-N while it went up by 10.8pc during the same period of the current government.

The finance minister said foreign direct investment in first seven months of the PTI government maintained upward journey and stood at $1.441bn compared to $573m during the same period under the PML-N government.

According to Umar, when the government took measures for restructuring and straightening the fundamentals of national economy, the economic slowdown occurred, adding that it would gain the momentum and would be on path of growth soon. He said despite these challenges many sectors of the national economy were showing positive growth including industrial sector of the country as cement production grew by 1.7pc, urea production by 5.9pc, sale of automobiles by 4pc, and gas supply by 6pc.

The minister said previous government had presented fake figures of economic development including GDP growth, poverty, and other micro and macroeconomic indicators.

Published in Dawn, April 6th, 2019

https://www.dawn.com/news/1474259/imf-deal-to-be-inked-by-month-end-asad

WORLD BANK TEAM TO ARRIVE IN PAKISTAN TO ASSESS IMPACT OF REFORMS

By Our Correspondent Published: April 5, 2019

ISLAMABAD: A World Bank team will arrive in Pakistan on April 15 to gauge the impact of government reforms for improving the ease of doing business and ranking of Pakistan.

The team will visit Punjab and Sindh to seek response of businesses to the reforms drive and the upcoming ranking of Pakistan will be based on the surveys and feedback received by the World Bank from businessmen.

These remarks were made in a high-level review meeting on the ease of doing business reforms agenda at the Board of Investment (BOI) on Thursday. Adviser to Prime Minister on Commerce, Textile, Industry and Investment Abdul Razak Dawood chaired the huddle.

Dawood highlighted that Pakistan had improved its ranking by 11 points and moved from 147th to 136th place in the Doing Business Report 2019. Praising the implementation of reforms, he insisted that continued efforts by all provincial and federal government departments were required.

He also appreciated assistance of the World Bank Group as a business climate reform partner.

The adviser stressed that doing business reforms were the priority of Prime Minister Imran Khan, who regularly reviewed its progress. The premier has already chaired two review meetings and the next meeting is expected shortly, which will be attended by all relevant federal secretaries and provincial chief secretaries.

Addressing the meeting participants, BOI Chairman Haroon Sharif said the government was pushing the reform agenda, which would transform business climate in the country. The role of all government departments, both provincial and federal, was important for efficient implementation of reforms, he said.

BOI Executive Director General Fareena Mazhar briefed the participants about the reforms undertaken so far. She revealed that an update on reforms was being provided to the World Bank Group, which was an important document that would contribute to improvement in the ease of doing business ranking.

Dawood directed all government agencies to make sure that all the under-process reforms were completed before April 30, 2019. He highlighted the importance of improving the business climate and reiterated close coordination among government departments for efficient and transparent facilitation.

The BOI shared some specific reforms undertaken by the provincial and federal government departments. These included complete integration of the Punjab and Sindh business registration portals. This is expected to help reduce time and ease the process of registering a company and will give one platform where businesses can be started.

Under the reforms drive, property registration has been completely automated in Punjab. Property registration online has reduced the time drastically for the process and has led to improvement in the transparency and quality of land administration.

As part of the reforms, the facility of online payment of federal and provincial taxes, contributions and duties is being made available. Online payments will help Pakistan to improve its ranking in the paying taxes indicator.

Key departments are being integrated with the WeBOC system, which will help importers and exporters and reduce the time and cost of compliance for them.

Under the reforms, K-Electric has made the process of getting a commercial electricity connection easier by making it online where the customer can track its application as well.

Published in The Express Tribune, April 5th, 2019.

https://tribune.com.pk/story/1943815/2-world-bank-team-arrive-pakistan-assess-impact-reforms/

IMF BAILOUT DEAL

By Editorial Published: April 1, 2019

Finance Minister Asad Umar hopes to finalise a bailout agreement with the IMF towards the end of April, and the signs of 'success' are already evident.

Electricity and gas tariffs have been increased, the key interest rate has been raised and the rupee has started depreciating – with the dollar having gained Rs2.25, or 1.6%, in the past three weeks in inter-bank dealings, according to the State Bank of Pakistan.

This continual fall in the rupee value lends credence to the buzz in the market that the local currency would go down to 145 to a dollar by the end of April and to 150 by December – in line with one of the IMF demands for bailing Pakistan out of the prevailing financial crunch.

The fast-eroding value of the rupee is sure to have a direct bearing on household budgets. With Pakistan being a country highly dependent on imports, the weakening rupee is likely to create inflationary pressure in the economy by making imports costlier. The industries using imported raw material will witness a surge in their cost of production, and the increased cost will be passed on to the consumers in the form of higher prices.

A weakening rupee will also increase the volume of foreign debts and loans, which means a higher allocation in the budget for debt-servicing. To add to that, a costlier dollar will serve to jack up the prices of petroleum products, which will increase the general cost of transportation, and thereby the cost of almost all consumer items. It is thus the poor consumer who will find himself caught at the receiving end, as always.

Umar, the Finance Minister of a cash-strapped country, is understood to have only tried to reduce the gap with the position that the IMF had taken, i.e. only to lessen the sufferings of the common man from an approaching tsunami of inflation in the wake of a bailout package from the Fund.

Published in The Express Tribune, April 1st, 2019.

https://tribune.com.pk/story/1941287/6-imf-bailout-deal/

NEWS COVERAGE PERIOD FROM APRIL 8TH TO APRIL 14TH 2019

IMF PROGRAMME MUST TO OVERCOME ECONOMIC CRISIS: RASHID

RECORDER REPORT | APR 14TH, 2019 | KARACHI

Federal Minister for Railways Sheikh Rasheed Ahmed Saturday said that the country's economy is passing through a difficult phase and the IMF program is necessary to overcome this crisis. "We are stuck in crises and it is a well-known fact that the IMF conditions will be harsh, but we have no other option but to approach the IMF for financial support," he said while addressing the business community at Karachi Chamber of Commerce & Industry (KCCI).

He also categorically stated that there will be no economic stability without the political stability and now the country is moving in a right direction. The Minister said that two political parties make the people fool and the present PTI government is making all possible efforts to bring the economy on right track.

Commenting on Karachi Circular Railway (KCR) Project, Sheikh Rasheed said that KCR is part of CPEC and some Rs 5 billion has been paid to Chinese for initiating work on KCR. With regard to encroachments on the track, he said that as soon as the Sindh government will approve the design and feasibility and sign the agreement, Pakistan Railways will remove all encroachments and the track will be handed over to Sindh government.

“If KCR is not completed during our tenure, it will never be completed forever,” he said and added that it was really an essential project for Karachi, which has become part of CPEC now.

Highlighting the performance of Pakistan Railways (PR), the Minister said that Railways’ revenue is gradually increasing and earned Rs 4 billion more as compared to the earnings during the same period of previous year. “We have also provided three more container trains to the business community and the number of freight trains during Imran Khan’s has enhanced from just 8 to 14”, he added.

He said that a total of 24 new trains have been initiated so far in which five categories have been defined for different types of passengers while with improved earnings, the occupancy of Rehman Baba Train has reached 160 percent.

“Our overall strategies have been very successful. We have also initiated Jinnah Express and Green Line which will be followed by Sir Syed Express with a target to attract all five types of customers and.”

Referring to 1760km long ML-1 project from Karachi to Peshawar, the Minister said that in this regard, Prime Minister Imran Khan will be signing the agreement on 27th April 2019 which would result in laying of completely new double track from Karachi to Peshawar with fencing on both sides and a minimum speed of 160 Kilometer per hour. Work on this project will be completed in the next five years, he informed.

Responding to a suggestion, Minister invited the business community to undertake joint venture for setting up setting up the proposed parking plaza on PR land at II Chundrigar Road but Pakistan Railways must continue to get its share regardless of whether the parking plaza becomes successful or not.

Minister also offered business community for cargo trains for movement of export/import goods and said that Pakistan Railways is ready to give trains to private sector, if traders promise business for freight trains. Speaking on the occasion, Chairman Businessmen Group & Former President KCCI Siraj Kassam Teli, while referring to Imran Khan’s last year’s visit on July 22 to Karachi to meet the business community just a couple of days before the general election, requested Sheikh Rasheed to ask Imran Khan to honor all his commitments including the commitment to visit KCCI.

“During the said meeting, we suggested to remove all those individuals who are involved in wrongdoings and corruption. We cautioned that the corrupt bureaucracy will not allow Imran Khan to take remedial measures but these elements have to be pinpointed and sidelined while the honest officers must be brought forward at the helm of the affairs,” he added.

However, except a few nominal changes done recently, no major change was witnessed in the FBR, NAB and FIA and the same old corrupt elements were given freehand, allowed to continue their wrongdoings and asked to make corrections, he added. Referring to a letter sent to Prime Minister Imran Khan, Teli said that the Private Sector’s representatives, who work on the Boards of Public Sector Companies such as Karachi Port Trust (KPT), Pakistan International Airlines (PIA) and Civil

Aviation Authority (CAA) etc., take/endorse decisions purely on the basis of whatever information is provided to them at the Board Meeting of any particular Public Sector company and that information may not be correct or may be incomplete.

After a number of years when FIA or NAB find anything wrong in these public sector companies, they immediately start pursuing private sector representatives who have got nothing to do with day-to-day activities of the public sector companies yet they are accused and undergo extensive investigation and frequent summoning by NAB or FIA, he added.

He asked Sheikh Rasheed to request the Prime Minister to look into this matter and give immunity to representatives of private sector from such investigations. They should not even be contacted until and unless there is a solid proof of their direct involvement or they being beneficiaries.

“The Karachi Chamber will never support anyone who is found guilty of any misconduct,” he said, adding that the business community was really worried and fed up due to constant harassment by NAB, FIA and FBR which is not acceptable to at all.

Commenting on the forthcoming Amnesty Scheme, Siraj Teli said that the previous amnesty was better but this amnesty scheme would become a failure due to lack of trust as those individuals who declared their assets in the previous amnesty scheme, were constantly being pursued and harassed by FBR, FIA and NAB. “Amnesty without protection and without dealing with the trust deficit would lead to failure,” he added.

President KCCI Junaid Esmail Makda, in his welcome address, stated that Karachi was one of the world’s most populous city and one of the mega cities. Lamentably, it may be the only city of this size that doesn’t have a mass transit transport system now when surprisingly; it did have Karachi Circular Railway (KCR) in the past.

He said that Karachi produces about 30 percent of the manufactured good, handles 95% of foreign trade and contributes more than 70 percent to the national revenue yet it remains deprived of basic facilities including KCR.

He said that the KCR project has fallen prey to politics between Sindh and federal governments and has been facing delays for the last 13 years. He requested the Federal Minister to take practical steps so that KCR becomes a reality.

Underscoring the need for freight trains, he said that dedicated and scheduled cargo train services will help reduce cost of doing business, improve global competitiveness and reduce pollution. “Therefore, we hope that all these trains will be launched soon as they would facilitate the Ease of Doing Business and bring down the cost of doing business, besides ensuring enhanced revenue for Pakistan Railways,” he added.

On the occasion, Vice Chairmen BMG Zubair Motiwala and Anjum Nisar, General Secretary BMG AQ Khalil, Senior Vice President KCCI Khurram Shahzad, Vice President Asif Sheikh Javaid, MNA Aftab Jahangir, CEO Pakistan Railways Aftab Akbar and KCCI Managing Committee Members were also present.

https://fp.brecorder.com/2019/04/20190414464396/

IMF MISSION DUE BY END APRIL

Mehtab Haider April 14, 2019

ISLAMABAD: The IMF mission is expected to visit Pakistan by the end of the current month to pave way for striking staff level agreement for $10 to $12 billion bailout.

A top official of the Pakistan economic team told The News Saturday night that the mission would be visiting Islamabad by the end of the ongoing month and final dates would be worked out in next few days.

The official said differences between the two sides had narrowed down and a consensus on macroeconomic and financial policy framework (MEFP) was expected on the basis of which the conditions and performance criteria would be finalised.

It is yet to be seen how both sides would reach an arrangement where Islamabad would be able to deliver on the IMF's conditions.

A heavy taxation is on the cards, as the IMF desires revenue surplus during the programme period.

https://www.thenews.com.pk/print/457755-imf-mission-due-by-end-april

BAILOUT PACKAGE WITH IMF ALMOST WORKED OUT: ASAD

Anwar Iqbal Updated April 13, 2019

WASHINGTON: Pakistan and the International Monetary Fund (IMF) have — more or less — reached an understanding on a package for bailing out the country's ailing economy, says Finance Minister Asad Umar.

"During the last two days, we have, more or less, reached an understanding. In the next day or two, we hope to reach a full agreement and then we will share the details with you," the finance minister said at a Thursday night news briefing at the Pakistan Embassy in Washington.

"In the next step, the IMF will send its mission to Pakistan in the next few weeks to work out technical details. But in principle, we have reached an agreement," he said.

Finance minister says FATF judging Pakistan with a rigged jury • Fund officials air concerns over CPEC

The finance minister, who reached Washington on Tuesday evening, left for New York on Friday after two days of talks with the IMF and World Bank officials on the sidelines of the group's spring meetings. The team of experts that came with him, however, remains in Washington to finalise the details of a multi-billion dollar, three-year bailout package.

Although Mr Umar did not explain the irritants that still need to be worked out, Dawn has learned the IMF is insisting on a market-oriented exchange rate while Pakistan wants to retain its current approach of a managed float.

During the talks, IMF officials shared their concerns on the China-Pakistan Economic Corridor and its possible impact on the IMF programme “but Pakistan assured them that there’s no overlapping between the two programmes,” an official source said.

“Some fine-tuning will be done in Islamabad and then the package will be signed,” the minister said.

Before the news briefing, the finance minister addressed the Pakistani-American community at the embassy, explaining why the country needs a bailout package.

“The more things change, the more they remain the same. This is what Pakistan is experiencing,” he said. “We’ve been going through a recurring cycle of a balance of payments crisis.”

Mr Umar said he could not recall the last time a government in Pakistan had not inherited a balance of payments crisis and sought IMF help. “The pattern has remained the same, in 1988, 1999, 2008, 2013 and 2018,” he said, acknowledging that “there is something, obviously, structurally wrong” with the economic policies followed by successive governments.

“While there may be specific decisions that contribute to this, or people who may be responsible, but there is clearly something structural at play which goes beyond personalities and decisions,” he said.

For some in the audience, it was a pleasant departure from the PTI’s usual practice of blaming everything on the PML-N government.

In a lighter vein, the finance minister told the Pakistani-American community that their country was close to setting a world record, as it was about to enter its 13th IMF programme in 30 years. ‘That’s quite an achievement.”

Mr Umar refuted rumours that he was resigning or being fired. “I am not going anywhere,” he said.

The finance minister said Pakistan was facing three main problems on the economic front — the fiscal deficit, current account deficit and savings and investment gap.

“The situation right now is that we are not taking loans to pay off past loans, but to pay off interest.”

Responding to a question about what actions the Financial Action Task Force (FATF) might take in Pakistan’s case, the minister said the next review would take place in the middle of May and the deadline for Pakistan to send a report for the review is April 15. He said Pakistan would send the report on time and then the review team would visit Pakistan in May but the actual deadline for the final decision is September.

He said Pakistan had made significant improvements since the last review, recognised by “virtually everybody we talked to. The question mark we have is: are we going to be judged by a rigged jury?”

He said he recently wrote a letter to the FATF president asking him to appoint any other member country besides India as co-chair of the Asia-Pacific Joint Group. “The finance minister of India is on record saying that they will use every means at their disposal to economically isolate Pakistan. What better way to isolate Pakistan economically than to get Pakistan on a FATF blacklist?”

The minister said with India co-chairing the proceedings, Pakistan did not expect a fair and unbiased decision from the FATF.

Published in Dawn, April 13th, 2019

https://www.dawn.com/news/1475776/bailout-package-with-imf-almost-worked-out-asad

WORLD BANK APPRECIATES REFORM PROCESS

RECORDER REPORT | APR 12TH, 2019 | ISLAMABAD

World Bank (WB) President David Malpass has appreciated the reform process the Pakistani government had initiated in the country and assured continued support from the bank. He was talking to Finance Minister Asad Umar during a meeting in Washington, said press statement received here Thursday. During the meeting, the Finance Minister apprised the WB President of the macroeconomic situation in the country and discussed continuation of Pakistan's ongoing engagement with the Bank.

The Finance Minister also met with the First Deputy Managing Director International Monetary Fund (IMF), David Lipton and talked about the ongoing negotiations with the fund. The Finance Minister also had a business roundtable with members of the US Pakistan Business Council, the statement added. The companies present on the occasion included PepsiCo, Coca Cola, Procter & Gamble, Uber and Facebook.

The companies expressed their strong interest in Pakistan's market and shared their future plans as well as issues where they needed support from the government. The Finance Minister mentioned that the government was completely focused on improving the ease of doing business in Pakistan. He further said Prime Minister Imran Khan was personally monitoring the reform process in this regard.

https://fp.brecorder.com/2019/04/20190412463539/

WORLD BANK DEBUNKS SINDH'S STATS ON $433M PROJECT

By Shahbaz Rana Published: April 12, 2019

ISLAMABAD: The World Bank has downgraded its rating of a $433 million project – launched nearly two years ago to reduce stunting in Sindh – to "moderately unsatisfactory" amid the provincial government claiming better performance in its statistics.

The Washington-based lender has lowered the ratings of the progress of achieving the project's objectives as well as the pace of its implementation, according to documents released by the bank on Thursday.

The rating of the achievement of objectives has been reduced to "moderately satisfactory" and the implementation progress to "moderately unsatisfactory".

Of the total cost of $433 million, the World Bank had approved a $61.62 million loan in May 2017 but linked the disbursements to achieving the agreed targets.

Because of the provincial government's poor performance, the bank has disbursed only $5 million so far.

The project was launched to reduce the stunting rate among children below five years of age and focused on the most affected districts in Sindh.

However, the report shows that the provincial government tried to exaggerate its performance in some indicators.

Commenting on the statistics on pregnant women who received prenatal care and counselling at the community level, the World Bank noted that the figure in June 2018 was reported at 650,023 because of system errors. The correct figure, it added, was 366,425.

Likewise, on the indicator of the use of modern contraceptive methods, the bank observed that after discrepancies emerged in the records of different departments, the data from the health management information system was used.

As such, the earlier reported number of 2.539 million users was revised downwards to 1.546 million and the cumulative data until January 2019 was based on the revised number.

“The Sindh government has recently updated and improved the health management information system to report on these indicators and that’s why there’s a difference in the numbers reported,” said a World Bank spokesperson.

The bank held an implementation support mission in December 2018 to review and assess the implementation progress.

It noted that although the implementation was slow, with the appropriate amount of oversight, guidance, and support from the task force secretariat and the finance department, the pace of interventions could be expedited.

The bank had allocated an amount of $45 million for expanding access to a multi-sectoral package of services for reducing stunting and $16.62 million for strengthening key cross-cutting nutrition-related Interventions and project management.

There was no progress in the reduction of the stunting rate among children under five in the affected districts.

The bank stated in its report that 48% of children under five were still suffering from stunted growth until the end of January 2019. The target is to bring it down to 43% by December 2021.

There was also no progress towards the goal of increasing the percentage of children aged between six and 23 months who received appropriate liquids and solid, semi-solid or soft food for the targeted minimum number of times.

In 2014, only 8.9% of children in this age bracket received a minimum acceptable diet — a ratio that remains unchanged even after five year, according to the report.

Under the bank’s financing component, there is also a plan to distribute 2.7 million micro-nutrient sachets for children up to two years of age till December 2021. Only 682,000 sachets have been distributed till January this year.

To increase protein intake and nutrition among children, the bank had also prepared a plan to help setting up of small poultry farm units and community fish ponds. Against the target of 26,000 households establishing backyard poultry farms and raising goats, so far only 822 households have managed to do this.

A target was set to help establish 2,600 community fish ponds by December 2021 but so far only 40 have been set up.

Around 3.5 million children between the ages of three and five years were required to attend early childhood education. There has been no progress towards this goal.

The Sindh government is also supposed to provide essential health, nutrition, and population services to eight million people in four years but has failed to achieve that as well, according to the bank's report.

https://tribune.com.pk/story/1948571/2-world-bank-debunks-sindhs-stats-433m-project/

NEWS COVERAGE PERIOD FROM APRIL 15TH TO APRIL 21ST 2019

KP LAGS BEHIND IN WORLD BANK'S KHYBER PASS ECONOMIC CORRIDOR PROJECT

The Newspaper's Reporter Updated April 19, 2019

ISLAMABAD: The Khy-ber Pakhtunkhwa gove-rnment is falling behind in the implementation of the Khyber Pass Economic Corridor Project, for which the World Bank approved a loan of $460.6 million almost a year ago.

A recently released rep-o--rt on the project states, "the project is pending effective-ness as the government's internal approval was underway, and expected to be completed soon, hence physical activities have not commenced."

The objective of the pro-ject is to expand economic activity between Pakistan and Afghanistan by impro-ving regional connectivity and promoting private sector development along the Khyber Pass corridor.

Infrastructure deficien-cies restrict cross-border trade between Pakistan and Afghanistan. At the border crossing, inadequate infra-structure and the need to exchange lanes creates bottlenecks that further slow cross-border traffic. Expensive informal levies assessed on the existing road by local and national agents further increase the costs of transiting the Khyber Pass.

The roadway between Peshawar and Kabul through the Khyber Pass represents a section of corridors five and six of the Central Asia Regional Economic Cooperation (CAREC) and has served as the key node in trade between South and Central Asia for hundreds of years.

Corridor five has potential to provide the shortest link between the landlocked countries of Afghanistan, Tajikistan and Uzbekistan, and the Arabian Sea while corridor six provides access to Europe, the Middle East and Russia. Improvements in transport connectivity are a key driver of regional economic cooperation among CAREC countries, World Bank says.

Despite strong demand for Pakistani products such as surgical instruments, textiles, fruits, rice, sugar, and cement and a market of nearly 70 million people, trade between Pakistan and the Central Asian Republics (CARs) is minimal, with Pakistan's exports over the past couple of years making up less than one percent of total imports by the CARs. While trade between Afghanistan and Pakistan nearly doubled in the decade up to 2015, flows dropped by about 30 per cent over the past two years.

The ongoing development of the China-Pakistan Economic Corridor (CPEC) is designed to upgrade the infrastructure linking major cities in Pakistan to western China and the Indian Ocean. The National Highway Authority (NHA) is also developing a connectivity programme that will link Afghanistan to CPEC via border crossings at Chaman and Torkham.

The legal framework for reviving trade among Afghanistan, Pakistan, and Central Asia is in place and is developing. Pakistan's provision of transit trade facilities to Afghanistan was first formalised under the Afghanistan Transit Trade Agreement (ATTA) signed in 1965. The agreement was enhanced in 2010, with the Afghanistan Pakistan Transit Trade Agreement (APTTA) providing reciprocal transit trade privileges to Pakistan to enter the Central Asia markets and Iran via Afghanistan.

Recently, Tajikistan has requested to be part of a trilateral transit trade agree-ment; a draft agreement has been prepa-red, to which Pakistan has consented. The Kyrgyz Republic and Turkmenistan have also indicated their interest in being part of the agreement.

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https://www.dawn.com/news/1477058/kp-lags-behind-in-world-banks-khyber-pass-economic-corridor-project

POLITICS OF ADJUSTMENT

Khurram Husain Updated April 18, 2019

THE finance minister and his cohorts are now repeatedly claiming that the size of the economic adjustment that they are being made to undertake is "the largest ever" and that the size of the macroeconomic imbalances they have inherited are also "unprecedented." Is this really the case?

It is important to explore and verify this claim of the government, because it is central to how well they are in a position to navigate the politics of adjustment. The real game of politics will begin for this government after the IMF programme is signed, since thus far they have made a go of things by pushing the difficult choices down the road. The real game begins once they have to start telling powerful constituencies that they cannot have all that they wish for. When the finance minister has to turn away supplementary grant requests, and enhance taxes on items of daily use and those that increase the burden on the common man, that is when the politics of adjustment kicks in properly.

At the moment, this government is having a difficult time managing the very beginnings of the adjustment process. Once in an IMF programme, they will have to wade deep into it, own the adjustment, and submit to a review every three months. Fail one review and disbursement of the tranche could be delayed, which sends a terribly disruptive signal to the state's creditors and all investors.

It takes a great deal of political skill to manage the adjustment process and keep it on track. A government can afford to lose its voter base for a brief period, and plan to return with large spending packages in its final year to regain the affections of its key constituencies among the masses. But losing the support of the elites of its society, with whose permission any government remains in power, is far more costly and difficult to navigate. This is true in practically all countries where there is an electoral franchise. All societies have elites, and no ruler can afford to alienate them.

Once in an IMF programme, the government will have to wade deep into it, and own the process.

The process of adjustment is a little complicated, but it’s not exactly rocket science. At its simplest, it involves raising taxes and cutting expenditures. After that, it involves building foreign exchange reserves, in a sustainable way, which means increasing exports and remittances and decreasing imports and foreign debt service obligations. Let’s consider the first of these: the fiscal adjustment.

At the moment, the government is being asked by the IMF to cut expenditures and increase revenues in quantity equal to almost 4.5 per cent of GDP over the three years of the programme. Of this, something like 1.7pc of GDP worth of revenue generation has to come upfront, while the deficit has to be cut by 0.8pc of GDP in the first year, followed by another 0.8pc in the second. Of course, these numbers could change by the time a programme is signed, but will still be in the same sort of ballpark.

Is the size of this adjustment bigger than any other undertaken by any government in the past? Here is what the document containing the terms of the 2013 facility said about the size of the fiscal adjustment that the newly elected PML-N government had to undertake:

“The initial fiscal adjustment effort includes permanent deficit reduction measures of 2pc of GDP, coming mainly from revenue increases and lower energy subsidies. Tax measures included in the 2013/14 budget — including a one point hike in the GST rate — are expected to yield [0.75pc] of GDP annually. Reduced energy subsidies will produce another [0.75pc] of GDP in savings. The remainder will come from lower current expenditures (0.15pc of GDP), savings of the PSDP budget, and (in the second half of the fiscal year) a new levy on natural gas expected to yield about 0.4pc of GDP on an annualised basis. As a contingent strategy, the government will bring forward the measures identified for years two and three of the programme.”

Notice upfront that the initial size of the adjustment in the first year of the programme is larger than what is being demanded now, when expressed as a percentage of GDP. This puts the figure in the right proportion to make it comparable over time.

The military regime of Pervez Musharraf implemented a very tough one-year standby facility in the first year after the general seized power. That programme envisaged a budget deficit reduction equal to 1.3pc of GDP in half a year (the letter of intent was submitted in November 2000, the target was to be achieved by June 2001). They committed to increase tax revenue by 1.1pc of GDP — no small feat for a government just one year in — and to be achieved in half a year. How did they propose to do this? Not by base broadening, but by raising the GST and extending its coverage into areas like fuel, gas and electricity. In short, by significantly raising the burden on the common man — something a military regime does not have to worry about too much.

The story is the same with the PPP government of 2008. Their programme began in November 2008 while the real macroeconomic targets were worked out by March 2009. So their targets also had to be met starting midway through the fiscal year. The budget deficit had to be reduced by 0.9pc in half of a fiscal year, as per their letter of intent (compared to 0.8pc being demanded from the present government). The bulk of this had to be achieved from the elimination of fuel and power subsidies, which significantly raised prices at the pump and in the power bills, boosting inflation and spreading widespread disaffection.

The story is a simple one: the path of adjustment is tough, but the PTI government is not the first to have to walk it. The others managed and dealt with the fallout. It is time for Imran Khan to do the same.

The writer is a member of staff.

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https://www.dawn.com/news/1476873/politics-of-adjustment

SENATE COMMITTEE SEEKS DETAILS OF IMF PACKAGE

By Our Correspondent Published: April 18, 2019

ISLAMABAD: Senate Standing Committee on Finance summoned Finance Minister Asad Umar in its next session for briefing on surge in inflation and conditions laid down by International Monetary Fund for its programme to Pakistan. The committee also called Minister of State for Revenue Hammad Azhar for briefing on implementation of second supplementary finance bill.

Finance ministry and officials of the State Bank of Pakistan (SBP) briefed the committee which was presided over by Pakistan Peoples Party (PPP) Senator Farooq H Naek on the hike in prices of commodities and increase in interest rate of Islamic banking. However, Finance Minister Asad Umar could not attend the meeting.

PPP Senator Sherry Rehman maintained that the finance minister had brought a programme from IMF after bypassing the parliament. She asked of the finance minister to disclose the details of IMF package to the parliament. If a budget on the dictation of the international money lender is presented, then it will be rejected by the House, she added.

The committee summoned Finance Minister Asad Umar and Minister of State for Revenue in the next session.

Committee Chairman Farooq Naek remarked that Umar and Azhar would brief the house about the performance of their ministries in the next meeting.

Senator Rehman maintained that both the ministers were ignoring the committee. She said that the finance minister is stuck in tax amnesty scheme for the past several days. Earlier, they claimed they would neither take loans nor would give tax amnesty to anyone, she added.

Rejecting Senator Rehman’s claims, Pakistan Tehreek e Insaf (PTI) Senator Mohsin Aziz remarked that tax amnesty scheme was necessary for cleansing the black money.

SBP officials observed that Islamic bank was rapidly flourishing in the country.

Taking a jibe at the finance minister, Senator Rehman said that Asad Umar was focused on taking loans. His portfolio should be changed to minister for debts, she added.

Pakistan Muslim League-Nawaz (PML-N) Senator Ayesha Raza Farooq noted that hurdles were being created for those investing in stock market.

“The investors are being asked to provide data of their children, which is a hindrance in making investments. The stakeholders will lose their confidence this way,” she said.

On this, ministry officials said that acquiring data of children was now a part of regulation.

https://tribune.com.pk/story/1953208/1-senate-committee-seeks-details-imf-package/

PAKISTAN EYES $22B PACKAGE FROM LENDING AGENCIES IN THREE YEARS

By Shahbaz Rana Published: April 16, 2019

ISLAMABAD: The International Monetary Fund (IMF) on Monday announced that it will send a staff-level mission to Pakistan to finalise a bailout programme, as Finance Minister Asad Umar hoped to secure nearly $22 billion packages from three multilateral agencies in the next three years.

"At the request of the (Pakistani) authorities, an IMF mission will be going to Pakistan before the end of April to continue the discussions," said a statement of Office of the Resident Representative of the IMF.

It added that the Pakistani authorities and the IMF staff held constructive discussions during the IMF-World Bank (WB) Spring Meetings in Washington DC towards an IMF-supported programme.

Hours before the IMF communiqué, Umar told the National Assembly Standing Committee on Finance and Revenue that Pakistan and the IMF have in principle reached an agreement on all policy matters.

But the finance minister refused to divulge details of the IMF conditions, saying it could 'jeopardise the negotiations'. After the committee meeting, the minister did say the electricity prices would go up "due to idle capacity payments left behind by the PML-N [Pakistan Muslim League-Nawaz] government."

"Both the sides have documented the agreement and an IMF mission would arrive in Islamabad this month to sort out technical details. The expected size of the IMF loan will be $7.5 billion to $8 billion," Umar added. The dates of the IMF visit will be finalised in the next couple of days.

Umar said the agreement has been achieved on the budget deficit, exchange rate management, energy sector, state-owned enterprises, and public finance management.

The finance minister insisted that the IMF's conditions would not burden the poor. The people are facing problems due to the mess left behind by the PML-N, he said.

Umar said the National Electric Power Regulatory Authority (Nepra) would periodically increase the electricity prices to pass on the impact of idle capacity payments to the Independent Power Producers.

But sources said it is a condition of the IMF, as the government was initially against the proposal to bridge the gap between electricity generation cost and consumer price through administrative measures.

The finance minister said in addition to the IMF lending, the programme loans from the World Bank and the Asian Development Bank (ADB) would also resume once the IMF programme is approved.

Both the multilateral lenders have suspended Pakistan's budgetary support due to deterioration in macroeconomic conditions. The minister said the three multilateral lending agencies are expected to give a total package of nearly $22 billion in the next three years. He said the WB lending could reach to $7.5 billion in next three years while the ADB may also give over $6 billion in loans.

Pakistan and the IMF have remained engaged for the last eight months and the upcoming IMF staff level mission would finalise the programme. But the conditions that the IMF has imposed in return of the bailout appeared stringent that would keep the PTI government on its toes.

It will also be difficult to approve new legislation due to a thin majority of the Pakistan Tehreek-e-Insaf (PTI) in the National Assembly and its minority status in the Senate. Umar said the international capital markets are also receptive to the government's economic reforms programme and Pakistan may issue a bond either towards the end of this fiscal year or at the start of the next financial year.

Umar said the foreign currency reserves that have so far remained under pressure would soon start building up after approval of the IMF loan. The members of the standing committee asked the finance minister to share the details about the targets agreed with the IMF.

"The government cannot share the details until completion of the negotiations, as this could jeopardise the whole programme," he said.

After the meeting, Umar said in the next fiscal year there will be a primary balance on the budget that will be achieved on the back of enhancing revenue collection.

The government's revenues are not even sufficient for debt servicing. Heavy taxation under the IMF programme may further hurt the economic growth, said the PML-N's Qaiser Ahmad Sheikh.

But Umar reiterated that it is the IMF that changed the position while accepting Pakistan's stance. He said the IMF has now admitted that the economy has responded to the government's policy actions.

Umar said there is no link between the IMF programme and the Financial Action Task Force (FATF). He said the government has prepared its draft report that would be sent to the FATF on Monday.

He said the report would become the base for Pakistan's second review that will take place in the third week of May. The minister said this time the FATF would hold a review in Pakistan and would meet the stakeholders.

Umar said the stabilization phase would continue under the IMF programme and if the government tried to end it prematurely this could result in the recurrence of high current account and budget deficits.

"$9.2 billion financial assistance by China, Saudi Arabia, and the United Arab Emirates provided a breathing space that was utilized to negotiate a better deal with the IMF," he added.

https://tribune.com.pk/story/1951648/2-pakistan-eyes-22b-package-lending-agencies/

IMRAN KHAN-LED GOVT CLEARS $400M FOREIGN LOAN TO DOUBLE TAXPAYERS

By Shahbaz Rana Published: April 16, 2019

ISLAMABAD: The government of Prime Minister Imran Khan on Monday cleared the way for obtaining $400 million (Rs57 billion) in foreign loan to double the number of taxpayers to four million and enhance tax collection to 17% of the size of the economy.

This has raised questions over the Pakistan Tehreek-e-Insaf (PTI) government's claim that people are not coming under the tax net due to the previous corrupt PML-N government. PM Imran is critical of foreign loans, yet his government has decided to seek $400 million for doing a job that can be done without taking a foreign loan.

"The concept clearance proposal of FBR's project 'Domestic Resource Mobilisation' worth $400 million was also given approval by the Central Development Working Party (CDWP)," said a statement issued by the planning ministry. Minister for Planning and Development Makhdoom Khusro Bakhtiar chaired the CDWP meeting.

Overall, the CDWP meeting recommended three projects worth Rs209.5 billion to the Executive Committee of National Economic Council (Ecnec) including the Rs77.6-billion Rapid Sindh Bus project.

The internal working of the planning ministry showed that the Rapid Bus project was financially unviable, yet the CDWP sent it to Ecnec. However, the CDWP constituted a committee that would review the cost of the project.

The CDWP also approved the concept clearance proposal of Karachi Urban Mobility project (Yellow Line Bus Rapid Transit – BRT) worth Rs66 billion. The World Bank would provide a loan to cover 80% of the cost while the remaining will be provided by the provincial government.

The Federal Board of Revenue (FBR) has sought $400 million in loan from the World Bank, despite a similar programme that badly failed a few years ago. Out of $400 million, $320 million will be linked with the achievement of certain targets.

The $400-million debt will be added in the name of expanding the tax-to-GDP ratio to 17% by 2023 and increasing the active taxpayers from 1.8 million to four million. Other so-called goals include reducing the hours required to pay taxes from 293.5 hours a year to 197.

The investment in new equipment and software development is needed by the FBR to utilise taxpayers' data effectively in order to detect the increase in tax evasion by unregistered persons and under-declaration by the existing taxpayers, claimed the FBR.

However, the planning ministry was of the view that the FBR should have first provided the analysis of the impact of the last World Bank-funded tax reform project, which had badly failed. It also urged the FBR to undertake the reforms without taking a loan from the World Bank.

The Government of Sindh presented 'Construction of BRT Red Line Project', worth Rs77.6 billion, which was also referred to Ecnec for consideration. The project envisages construction of metro bus dedicated corridors, measuring 29.1 kilometres (km) in length, from Numaish to Malir Halt depot and common corridor of 2.4 km.

The per kilometre construction cost will be Rs1.37 billion, while the total per kilometre cost of the project is estimated at Rs2.7 billion.

The project shall contribute to developing a sustainable urban bus transport system in Karachi with less travel time and enhanced mobility and accessibility. Estimated passengers per day would be 320,000.

Out of the total cost, the Sindh government would provide $88 million, whereas $474.3 million will be provided by the Asian Development Bank (ADB), Asian Infrastructure Investment Bank (AIIB) and French Agency for Development (AFD).

In May 2018, the project had been proposed to be completed at a cost of Rs65.6 billion, but due to currency devaluation, its cost has already jumped to Rs77.6 billion. The project will be completed in five years.

It was for the third time that the CDWP considered the Rapid Bus Project. Earlier, it had been twice deferred due to objections raised by the Ministry of Planning. However, the government of Sindh has not yet addressed issues about the procurement of buses, fuel cost estimates and lack of clarity over the operational plans of the project. In order to sort out these issues, the CDWP has again constituted a committee.

The daily gas requirements for running these buses are estimated at 10,000 kilogrammes. The project's annual operation and maintenance cost have been estimated at Rs3.3 billion.

The CDWP also recommended the project of '500-KV HVDC Transmission System between Tajikistan and Pakistan for CASA-1000' worth Rs45 billion to the Ecnec. The project envisions transmission of electricity from Tajikistan to Pakistan through Afghanistan.

The original cost of the project, approved in 2015, was Rs31.9 billion that has been increased by 44%. The cost of converter station is firmed up through the bidding process, but the other cost is still based on estimates.

The contract of 1,300-megawatt (MW) converter station was signed in September last year. The government has decided to allocate Rs9.7 billion for this project in the next fiscal year 2019-20 budget.

The CDWP also cleared the 'Balakot Hydropower Project' worth Rs85.9 billion, which was presented by the Energy and Power Department of Khyber-Pakhtunkhwa. The project envisions construction of 310-MW Balakot hydropower project on Kunhar river, a major tributary of Jhelum River.

The Balakot hydropower project is located at an active earthquake zone and the project has been designed on earthquake resistance parameters.

Published in The Express Tribune, April 16th, 2019.

https://tribune.com.pk/story/1951547/2-imran-khan-led-govt-clears-400m-foreign-loan-double-taxpayers/

IMF MAY DELAY VISIT AS BAILOUT TALKS STILL GOING ON

Anwar Iqbal Updated April 15, 2019

WASHINGTON: The visit of an IMF mission to Islamabad for finalising a bailout package for Pakistan may be delayed as both sides are still engaged in an intense discussion on the proposed programme, official sources told Dawn.

Finance Minister Asad Umar said earlier this month that the mission would visit Islamabad soon after the spring meetings of the World Bank Group, which includes the International Monetary Fund (IMF), and an agreement should be signed by the end of this month. The meetings, held in Washington this week, ended on Sunday.

The finance minister, who led the Pakistani delegation at the meetings, went to New York on Friday but his team, which includes senior officials of his ministry and other government agencies, stayed in Washington for further talks.

At a Thursday night news briefing in Washington, Mr Umar said the two sides had “more or less, reached an understanding” on the bailout package and “in a day or two, we hope to reach a full agreement”.

But it seems that “both sides are still engaged in an intense conversation on the final details of that full agreement,” an official source told Dawn. “So, the IMF mission is now more likely to visit Islamabad in May, not April.”

Another official familiar with the Pakistan-IMF talks said, “Islamabad still hopes to conclude the agreement before June, as they believe the bailout package would help budget prospects.”

The sources said that IMF officials were also seeking details of the China-Pakistan Economic Corridor (CPEC), along with a written guarantee from both Pakistan and China that the IMF assistance will not be used to repay loans to China.

The finance minister is likely to visit China on April 25 for talks on the IMF concerns over CPEC and IMF will wait to hear from him before it finalises the bailout package, the sources said.

Meanwhile, both sides are engaged in “fine-tuning” the details of the proposed IMF programme. Pakistan wants the IMF to review some of the conditions it has attached to the package while the IMF insists that those conditions are absolutely essential for a successful completion of the programme.

Pakistanis point out that this would be their 14th package with the IMF, if finalised. They argue that the conditions attached to previous programmes were also not fully implemented because they were too restrictive. Pakistan wants the IMF to focus on long-term structural reforms that help revive its economy instead of attaching conditions that would be difficult to implement.

During negotiations on the new package, the Pakistani delegation told the IMF that they “do not want to commit to what we cannot implement”.

When asked how much money did Pakistan expect from the IMF, a source said: “The amount and length of the programme also depends on the nature of the package. If the conditions are too restrictive, Pakistan would expect a larger package, i.e. more assistance for a longer period.”

Some of the conditions proposed by the IMF include: making the State Bank independent, a market-oriented exchange rate, expanding the tax target by Rs5,000 billion, ending income tax concessions, more taxes on salaries, narrowing the amount of taxable income from Rs12 lakh a year to Rs4 lakh, reducing electricity and gas losses, no government interference in Nepra and Ogra policies, Rs140 billion electricity and gas revenue losses be recovered from consumers.

The sticking points, however, are the demands for market-determined exchange rates and sharing details of Chinese loans which Pakistan is reluctant to do so.

The IMF insists on full disclosure of all financial cooperation between Pakistan and China, including assistance related to infrastructure development, nuclear power plants, joint manufacturing of JF-17 Thunder fighter jets and procurement of submarines.

The IMF is also demanding details of more than $6.5bn of commercial loans Pakistan has received from China in the past two and a half years.

In July, China also deposited $2bn with the State Bank of Pakistan.

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https://www.dawn.com/news/1476211/imf-may-delay-visit-as-bailout-talks-still-going-on

WB TO LOAN $100M FOR KARACHI'S WATER SUPPLY, SANITATION PROJECTS

Amin Ahmed Updated April 15, 2019

ISLAMABAD: The World Bank is expected to approve a loan of $100 million that will improve access to safe water and sanitation services in Kara-chi, and increase financial and operational performance of the Karachi Water and Sewerage Board (KWSB).

A World Bank team will start appraising the project submitted by the Sindh government later this month while the executive board of the bank is expected to approve the project by end of June, it's learnt.

The proposed project seeks to increase equitable and sustainable access to safe water and sanitation services in Karachi, and will address the challenges of infrastructure gaps, operational under-performance of the KWSB and the weak enabling environment.

In the past the KWSB has successfully implemented many water supply projects, including those supported by the World Bank. However, the institutional capacity of the the KWSB to satisfactorily manage environmental and social safeguards, in accordance with WB requirements, is still considered insufficient, the World Bank says.

A World Bank team is expected to appraise the project submitted by the Sindh government later this month

The KWSB's technical challenges are exacerbated by its low operational performance. Lack of metering of domestic customers, an inefficient tariff structure, an outdated database to calculate tariffs, and poor billing and collection efficiency have led to a large gap between receipts and expenditures. In 2015-16, total receipts covered barely 50 per cent of the utility's operational expenditures.

A conservative estimate of non-revenue water from physical and commercial losses is around 55 to 60 per cent.

The utility has outstanding arrears estimated at $460m, outstanding debts to Karachi Electric alone of $320m, and financial losses estimated at over $5m per month.

Given these financial pressures, the KWSB has not been able to carry out preventative maintenance, focusing only on emergency repairs.

Karachi's water supply services are falling far short of the expanding city's needs. Nearly three million Karachiites lack access to piped water, but even those formally connected are confronted with inadequate, irregular and inequitable water services.

Brackish groundwater limits the use of alternatives such as household wells. Instead, inefficient and expensive "private water tankers form the major source of domestic water supply".

The city's current water demand is estimated at 1,200 million gallons per day (mgd), with the present shortfall of water relative to this demand estimated at 550mgd.

More than six million Karachiites have no access to public sewerage service. Even those with nominal access do not receive acceptable services.

The city's sewage treatment facilities are dilapidated and not working properly due to "complex challenges of inadequate sewer trunk mains, malfunctioning pumping facilities, and insufficient wastewater treatment capacity".

A "Commitment of Cooperation" outlining this reform roadmap is expected to be signed by the KWSB, the ministry of local government and the World Bank before the negotiations.

Steps outlined in the "Commitment of Cooperation" include far-reaching changes to improve the KWSB's operational autonomy and ability to act decisively and professionally in the required turnaround.

This is expected to include an amendment to the the KWSB Act, but will also involve other measures to improve the KWSB's scope of action, for example, a negotiation with other government entities to settle arrears that amount to as much as five years of the KWSB's annual revenues.

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https://www.dawn.com/news/1476200/wb-to-loan-100m-for-karachis-water-supply-sanitation-projects

NEWS COVERAGE PERIOD FROM APRIL 22ND TO APRIL 28TH 2019

WORLD BANK TO GIVE $400M TO SUPPORT RESEARCH PROJECT

Amin Ahmed Updated April 28, 2019

ISLAMABAD: The World Bank will support Pakistan in promoting research excellence and strengthening governance in the higher education sector with a loan of $400 million, which is expec-t-ed to be approved before the end of current fiscal year.

The World Bank financing will come from the International Development Association (IDA), and the total cost of the project has been estimated to be $2,437.60m.

The Higher Education Development project — to be implemented by the Higher Education Commission (HEC) — will help promote relevant and cutting-edge research in universities with a focus on specific strategic sectors for socio-economic progress in the country. This will be done through providing competitive research, innovation and commercialisation grants to researchers and entrepreneurs.

Two competitive funds have been planned to be established: mega research grants supporting cutting-edge research for solution of specific national challenges; and funds supporting faculty and students with potential industrial prototype solutions and research projects to make them market relevant and to support with industry partnership.

Some of the challenges facing the research environment in Pakistan are inadequate and irrelevant research activities with few linkages between universities and industry impacting the commercialisation of research.

There is misalignment between government's said agenda of promotion of innovation and entrepreneurship and implementation of this agenda. While the government wants to nurture entrepreneurship and social impact, it rewards impact factor journal publication, creating disincentive for faculty to engage with industry.

The HEC has supported the establishment of Business Incubation Centres (BIC) in public universities. However, there is a need to strengthen these, so that they offer a full suite of support ranging from the access to seed funding to legal and financial advice and guidance, a project-related report says.

Tertiary education enrolments have increased during the past decades from less than 2.7 per cent of the college-age population in 2002 to 10.1pc in 2017. Much of the growth in enrolment has come from distance learning programs and private higher education institutes.

Published in Dawn, April 24th, 2019

https://www.dawn.com/news/1478892/world-bank-to-give-400m-to-support-research-project

IMF TEAM COMING TO NEGOTIATE THREE-YEAR BAILOUT PACKAGE

Khaleeq Kiani Updated April 27, 2019

ISLAMABAD: A staff mission of the International Monetary Fund (IMF) would be visiting Pakistan on Monday (April 29) for negotiations on a three-year bailout package for economic reforms including the introduction of a single Value Added Tax (VAT) regime.

The announcement came following a meeting between Prime Minister Imran Khan and IMF Managing Director Ms Christine Lagarde in Beijing on Friday on the sidelines of the Belt and Road Forum.

"The IMF team will visit Pakistan starting April 29 to continue technical discussions for an IMF supported programme," said Finance Minister's spokesman Dr Khaqan Najeeb hours after the Beijing meeting. He said the Pakistan side for negotiations with the IMF will be led by Dr Abdul Hafeez Shaikh, Adviser to PM on Finance.

Earlier in the day, IMF's Country Representative in Islamabad Teresa Daban Sánchez had told Dawn that the two sides were "still working out the details jointly with the authorities …. because of logistics and security considerations".

Dr Khaqan said extensive preparation for data and macroeconomic framework finalisation and structural reforms had been ongoing among all key stakeholders including State Bank of Pakistan, Power and Gas Division, Privatisation Com-mission, Federal Board of Revenue and Benazir Income Support Programme among others for sharing with the IMF.

The successful conclusion of the talks would translate into a Federal Budget 2019-20 envisaging at least additional resource mobilisation of close to Rs500bn or around 1.2pc of GDP under a three-year fiscal adjustment and stabilisation programme.

The talks are taking place at a time the IMF had early this month forecast Pakistan's fiscal deficit continuously elevated at close to 8pc and deteriorating debt-to-GDP ratio to reach 86pc over the next five years.

Pakistan authorities on the other hand have finalised the government's strategy to deliver on Medium-Term Economic Framework 2019-23 (MTEF) targets to be finalised by the IMF.

The two sides have been engaged since August last year but talks were suspended in November when they could not reach agreement on economic adjustment plan as the IMF wanted upfront steep policy actions to reduce fiscal deficit through higher taxes and increase in gas and electricity prices and allow a market based exchange rate.

The government was, however, reluctant to take severe economic decisions of political nature at the earliest even though it increased electricity and gas prices and devalued currency significantly and wanted to stagger the burden on the people in the coming budget.

According to data finalised under the MTEF, the authorities have made up mind for an additional revenue effort matching about 2.6pc of GDP over a period of three years. The federal taxes are committed to increase by a total of 2.3pc (about Rs1.08tr) during three-year reform process under the IMF programme, starting with 1.1pc of GDP in upcoming fiscal year 2020.

This will be followed by 0.9pc of GDP additional revenue generation in FY21 and then 0.3pc in FY22. The provincial taxes are committed to go up 0.1pc of GDP every year to achieve 1.6pc tax to GDP ratio in FY22 from current year's 1.3pc tax to GDP ratio.

Broadly, the tax measures expected to deliver the targets include "drastic reduction in tax expenditures by removing exemptions and excessive tax credits from incomes tax, sales tax and federal excise duty law and moving to a single sales tax (VAT) regime by doing away with special procedures and reduced rate taxation," according official papers seen by Dawn.

The MTEF aims to address 'three chronic deficits' — fiscal deficit, current account deficit and the savings and investment gap. Named a Roadmap For Stability, Growth and Productive Employment, the government had announced recently that all numbers would be put to the MTEF on reaching an agreement to enter into an IMF programme. "We will share all the numbers and targets (of MTEF) once the staff level agreement is signed" with the IMF, former finance minister Asad Umar had announced.

Published in Dawn, April 27th, 2019

https://www.dawn.com/news/1478657/imf-team-coming-to-negotiate-three-year-bailout-package

GOVT PLANS NEW BODY FOR EFFECTIVE POLICY IMPLEMENTATION

Amin Ahmed Updated April 26, 2019

ISLAMABAD: The government is working on a plan to merge ministries of commerce, industries and production, and the Board of Investment (BoI) to consolidate and integrate existing institutions at the federal level to enhance effectiveness of policy reforms, 'Dawn' has learnt on Thursday.

Following the merger, a National Competitiveness Council (NCC) will be established having relevant federal, provincial and private sector representations with a dedicated secretariat attached to the Prime Minister's Office.

The objective of amalgamating the ministries is to foster design of policies and implementation of programmes to ensure effective service delivery.

The NCC will be empowered with an overarching and cross-cutting mandate for designing and implementing competitiveness interventions both at the federal and provincial level.

Seeks WB funding to merge ministries of commerce, industries, BoI

The plans to assimilate the ministries have been included in a project document that has been submitted to the World Bank (WB) for financing. WB mission is scheduled to visit Pakistan in July to evaluate the project. The International Development Association is expected to loan $350 million to the government for the project, titled "Pakistan Goes Global: An Initiative for a Global and Technology-driven Pakistan".

While NCC's mandate will be greater than the scope of the proposed plan, the council would also provide thought leadership and steer the implementation of specific activities proposed to be undertaken through the project.

The decision comes in the absence of unified and strategic roadmap to drive Pakistan's global standing as a competitive trading and business hub. The council will ensure policy and promotion frameworks for trade, investment and small and medium enterprise are formally endorsed by provinces.

The consolidation and improvement in coordination of relevant institutional and organisational layers across federal and provincial boundaries will help Pakistan tackle growing challenges to the country's trade, investment and SME integration globally, the document reveals.

The proposal also suggests that the institutionalisation of coordination among federal and provincial authorities to strengthen trade, investment and SME capabilities require a sustainable NCC.

The NCC, supported by provincial working groups along the lines of institutional model developed for implementing 'Doing Business' reforms, can be driver of Pakistan's trade, investment and SMEs performance in the international market place.

Opportunities created by devolution under the eighteenth amendment also demand greater coordination and collaboration for the promotion of trade and investment and improving SMEs' capabilities.

However, federal and provincial governments have responded to devolution in a varying manner which in effect has created five different markets and jurisdictions with somewhat differing policy, legal and regulatory implications.

The provinces are slow to adjust with their pronounced role and autonomy in improving the quality of their respective business support systems and regulatory governance.

Pakistan's inward oriented trade policies have had the effect of stalling integration into regional and global value chains. Modern day production networks rely on components of final products being able to move quickly and cost efficiently between multiple countries. To facilitate integration into these networks, countries have made efforts to reduce trade costs; however, Pakistan's trade policies have reverted to protectionism.

In recent years, to reduce the trade deficit, duties have been increased sheltering incumbent firms from international competition and encouraging them to focus on the domestic market. Moreover, tariffs on final goods in Pakistan are 50 per cent higher than the South Asian average, and almost three times as high as the average for East Asia.

The document points out that around 1-2pc of textile and apparel exporters in the country access duty suspension schemes such as the Duty and Tax Remission scheme and Manufacturing under Bond for their imported intermediates, compared to 90pc in competitor countries such as Bangladesh.

Global experience shows that the persistence of trading relationships is a sign of economic maturity and dynamism which has been a challenge for Pakistan. The significant rate at which Pakistan's exports fail to survive growth past five years points to the riskiness of the export business in the country. Furthermore, at the firm level, evidence suggests that exporters in Pakistan remain relatively small compared to other countries at a similar level of development.

Pakistan has also failed to capitalise on international investors' appetite for high-return investments in developing countries. While other countries in the region have used foreign direct investment as seed capital to support high-potential and high-growth industries within their export sector, Pakistan has not attracted meaningful foreign investment.

The observed lack of integration into the global marketplace underlies the challenges that Pakistan faces to achieve growth in the short and long-term. In the short term, lagging competitiveness — both in the trade and investment fronts — translated in low contributions of exports and investment to GDP growth.

During 2018, investment and exports combined contributed to about 20pc of growth in aggregate demand, while it was consumption — both private and public, that contributed the lion-share of 80pc.

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https://www.dawn.com/news/1478472/govt-plans-new-body-for-effective-policy-implementation

BILAWAL ASKS GOVERNMENT TO TAKE PARLIAMENT INTO CONFIDENCE OVER IMF DEAL

NAVEED BUTT | APR 26TH, 2019 | ISLAMABAD

Chairman Pakistan Peoples Party (PPP) Bilawal Bhutto-Zardari has claimed that Pakistan Tehreek-e-Insaf (PTI) government's deal with International Monetary Fund (IMF) would be unconstitutional if it does not take the Parliament into confidence about it. Bilawal expressed these views while talking to media persons in front of the Parliament here on Thursday. "The government has to inform the Parliament under the Debt Limitation Act, 2005, if total debt to Gross Domestic Product (GDP) ratio exceeds 60 percent of the GDP. The PPP knows better how to run the economy of the country," he said.

He said that the people are drowning in a tsunami of inflation due to economic policies of the government. He said that there is unemployment in every industry in the country. The inflation has risen so much that life has become difficult for common people including farmers and workers. He said that the PTI government is going to introduce tax amnesty scheme which is a relief only for the rich, adding, "What can this scheme give to the poor?"

The PPP leader said that the government has increased the prices of medicines, petroleum products and gas. "How can the government say that inflation is not an issue? The inflation is worrisome for every Pakistani and it is the government's responsibility to provide relief to the people," Bilawal remarked. The PPP chairman said if the PTI government does not give relief to the people in the coming budget 2019-20 then the people will come out on the streets themselves.

He said that the PPP has always raised the voice of the poor people and given them relief. He claimed that the PTI government is murdering the poor economically. He said that there cannot be two "Pakistans" in this country. He said, "These are oppressive rulers and do not care for the people. Nation can take your oppression till a limit." Answering a question, the PPP chairman said that Prime Minister Imran Khan is "only insulting himself" when he passes comments such as 'Sahiba' (a term for ladies).

He said, "Referring a man to a woman does not harm the man but what sort of message does this send to the women of Pakistan? Our Prime Minister is saying that being a woman is an insult."

https://fp.brecorder.com/2019/04/20190426467370/

WB OFFICIAL MEETS HAFEEZ SHEIKH

RECORDER REPORT | APR 23RD, 2019 | ISLAMABAD

World Bank Country Director Patchamuthu Illangovan called on the Advisor to Prime Minister on Finance Dr Abdul Hafeez Sheikh here Monday. They discussed the ongoing projects being supported by the World Bank. The advisor emphasised the need to expedite the finalisation of the new financing in the pipeline before the end of fiscal year 2019. He assured the country director that all approvals will be expedited to ensure timely disbursement, says a press release issued here.

It was also agreed that Chief Executive Officer, World Bank, Kristalina Georgieva, would meet the Prime Minister of Pakistan in China during his visit later this month there.-PR

https://fp.brecorder.com/2019/04/20190423466530/

PAKISTAN GETS $551 MILLION IDB LOAN FOR OIL, LNG IMPORT

By Shahbaz Rana Published: April 23, 2019

ISLAMABAD: Pakistan and the Islamic Development Bank (IDB) on Monday signed a loan agreement for a $551-million financing facility for liquefied natural gas (LNG) and oil imports, which will help reduce pressure on the foreign exchange reserves.

The government has contracted the loan at 12-month London Interbank Offered Rate (Libor) plus 2.22%, which at the current Libor rate translates into 4.96%, making it a relatively expensive deal. The loan has been obtained from the International Islamic Trade Finance Corporation (ITFC), the trade arm of the IDB which extends credit for the import of oil and LNG.

The signing ceremony was witnessed by newly appointed Adviser to Prime Minister on Finance Dr Abdul Hafeez Shaikh. This facility will be utilised by Pakistan State Oil Company Limited (PSO), Pak-Arab Refinery Limited (Parco) and Pakistan LNG Limited (PLL).

The agreement was signed by the Economic Affairs Division, ITFC and representatives of PSO, Parco and PLL, according to a statement issued by the Ministry of Finance after the signing ceremony.

The agreement provides trade financing amounting to $551 million for the import of oil and LNG for a period of one year, stated the finance ministry.

Under an April 2018 agreement, the ITFC has agreed to provide trade financing of $1.3 billion in 2019 for imports by PSO, Parco and PLL. The $1.3-billion facility is part of the framework agreement signed with ITFC in April 2018 for a total envelope of $4.5 billion over a period of three years (2018-20).

However, so far Pakistan has signed agreements for only $375 million worth of facilities. The umbrella agreement came into effect in August last year.

With the signing of the new facility, total disbursements under the three-year package will come to $926 million.

“The signing of this financing facility will be helpful in backing the oil and gas import bill of the country and easing pressure on the foreign exchange reserves,” said the finance adviser. He said the agreement also reflected confidence of international financial institutions in Pakistan’s economy and its future.

Pakistan had also hoped to receive two financing facilities for oil supply on deferred payments from Saudi Arabia and the United Arab Emirates (UAE). So far, Saudi Arabia has signed an agreement for providing $3 billion worth of oil on deferred payments, but the facility has not yet been operational.

Pakistan expects the Saudi facility to help ease pressure on the balance of payments. The UAE has refused to provide oil on deferred payments after initially giving an indication that it will offer the facility.

The UAE and Saudi Arabian oil credit facilities were part of the $14.5-billion package agreed with three friendly countries, including China. So far, Saudi Arabia, the UAE and China have disbursed $7.5 billion to stabilise the foreign exchange reserves held by the State Bank of Pakistan (SBP).

The IDB provides short-term financing to encourage import-export among member countries. The ITFC will directly make these payments to Saudi Arabia for the import of oil.

Pakistan has been utilising these facilities mostly for petroleum requirements through the ITFC.

It is the second time that Pakistan has got an oil facility of $3 billion or more from the IDB, spanning three years. Earlier, under a framework agreement for strategic partnership, the ITFC had provided $3 billion during the 2014-18 period.

From July through March of current fiscal year, the IDB disbursed $511 million, including commercial financing for oil imports.

Published in The Express Tribune, April 23rd, 2019.

https://tribune.com.pk/story/1956762/2-pakistan-gets-551-million-idb-loan-oil-lng-import/

May 2019

NEWS COVERAGE PERIOD FROM APRIL 29TH TO MAY 5TH 2019

IMF ECONOMIST DR REZA BAQIR APPOINTED SBP GOVERNOR

The Newspaper's Staff Reporter Updated May 05, 2019

KARACHI: In a late-night notification, the finance division formally announced that Dr Reza Baqir of the International Monetary Fund (IMF) has been appointed governor of the State Bank of Pakistan (SBP)to serve for a three-year term.

For the post of Federal Board of Revenue (FBR) chairman, the guessing game continued over who the replacement will be.

An Aitchison alumnus, Dr Baqir earned his PhD from the University of California, Berkeley, in Economics and has worked with the IMF for the last 16 years. He has been the chief of the IMF's Debt Policy Division and worked on IMF policies on external debt sustainability and restructuring of member countries. He has also helped design debt and fiscal policies for crisis-hit countries like Greece and Ukraine, among others. Before the IMF, Dr Baqir worked at the World Bank, the Massachusetts Institute of Technology and the Union Bank of Switzerland.

Announcement about appointment of FBR chairman still awaited

Dr Baqir will be the second IMF staffer to head the central bank. Before him Dr Mohammad Yaqub was also brought in from the IMF to head the State Bank from 1993 to 1999. Dr Yaqub built the architecture of an independent central bank before running into problems after the freezing of foreign currency accounts following the nuclear detonations in 1998 and subsequent sanctions. He was replaced by Dr Ishrat Husain from the World Bank who served two terms as well before being replaced by Dr Shamshad Akhtar from the Asian Development Bank.

Being an IMF insider, Dr Baqir's appointment will raise some natural questions. Will he resign from the Fund to take up his new position, or remain an IMF employee while serving as State Bank governor? His predecessors from the multilateral agencies did not return to their former employers after leaving SBP governorship. How will he discharge his role as governor for Pakistan at the IMF, a post that comes with the position he has been appointed at the State Bank, without a conflict of interest coming up considering he will be an employee of the Fund and a key representative of a country borrowing from the Fund at the same time?

A number of names circulated for the position of FBR chairman, but no hint of confirmation emerged from the government till late on Saturday. Dr Ahmed Mujtaba Memon, a former officer of the customs department was in play but there was the matter of an FIR that was registered against him back in 2016 on corruption charges. The case was closed, but his re-entry into the FBR was compromised so he was accommodated in the finance division as an additional secretary instead. Any appointment of Mr Memon is likely to dredge up this history.

Monday will tell how well the uncertainty has gone down on the trade floor. The next auction of government treasury bills is scheduled for Wednesday, and at that time the expectations that debt markets have on the direction of interest rates will also become apparent.

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https://www.dawn.com/news/1480350/imf-economist-dr-reza-baqir-appointed-sbp-governor

FRESH PITCH MADE TO ADB FOR INVESTMENT

Khaleeq Kiani Updated May 05, 2019

PAKISTAN on Thursday made a fresh pitch for international investment and multilateral financial and technical support to help introduce reforms in key sectors of its economy.

Dr Ishrat Husain, prime minister's adviser on institutional reforms and austerity, asked the international development community to "step up its support to the new government in undertaking much-needed investments in infrastructure, energy and social development sectors" and hoped such investments, underwritten by bold country-owned economic and governance reforms, will bring sustained growth and prosperity to the country.

He was speaking as Governor ad Interim at the concluding session of the annual meeting of Asian Development Bank (ADB) Board of Governors. He said keeping in view the current economic challenges, the development institutions like ADB should not only provide project financing but also support the member countries through enhanced technical assistance and policy-based lending for their reform initiatives to ensure sustainable growth.

Ishrat spells out government's 11-point agenda to overcome Pakistan's macroeconomic challenges

"The increase in financial flows would help member countries to pursue economic recovery and to retain the required level of spending on social sectors.

Additionally, the ADB ought to play a role of catalyst in promoting private sector investment flows amongst the member countries besides fostering connectivity and regional trade and reducing vulnerabilities to natural hazards," he said.

He asked the ADB to help Asian societies absorb rapid change in their economic, social and cultural spheres as they face pressure of multiple and quick transformations. To improve the current situation, faster growth with enhanced integration within the region through capital flows, trade and investment and people-to-people contact was imperative and the development challenges will have to be transformed into opportunities by economic cooperation, technological progress and research to compete in competitive and sophisticated markets.

He reported that the government had adopted an 11-point agenda to overcome the country's macroeconomic challenges. The agenda included the restructuring of public sector enterprises, power sector reforms and debt management besides the fiscal austerity to reduce fiscal deficit.

The adviser said the government was following temporary monetary policy to check inflation, build foreign exchange reserves to stabilise the exchange rate and promoting exports and incentivising home remittances.

On top of that, the government was also working on promoting growth and raising domestic revenues, rationalising subsidy regime to reduce pressure on the budget and tax administration and policy reform to mobilise domestic resources.

He assured the international community of the strong political commitment and resolve to accelerate the pace of reforms in Pakistan. He said financing 17 goals and 69 indicators under the UN-led Sustainable Development Goals (SDGs) was not an easy job for Pakistan to end poverty and hunger, improving health and education, making cities more sustainable, combating climate change, and protecting oceans and forests.

"Financing these goals is a major issue for developing countries like Pakistan. Lack of coordination, disjunction between different departments and lack of capacity at state institutions are serious impediments in advancing the SDGs," the adviser said.

As far as the social safety was concerned, he added, the government had allocated $900 million during the year of 2019 for cash grants to 5.7m families.

He asked the ADB to play a role of catalyst in promoting private sector investment flows amongst the member countries besides fostering connectivity and regional trade and reducing vulnerabilities natural hazards.

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https://www.dawn.com/news/1480377/fresh-pitch-made-to-adb-for-investment

'PAKISTAN THIRD LARGEST BENEFICIARY OF ISDB FINANCING'

The Newspaper's Staff Reporter May 05, 2019

ISLAMABAD: President Islamic Development Bank (IsDB) Dr Bandar Hajjar has disclosed that Pakistan is the third largest beneficiary of the bank's financing and the country has received $12.43 billion which are being spent on various projects.

Speaking at a news conference soon after attending an event titled "Transformers Roadshow Competition" here on Saturday, Dr Hajjar said his group was financing the projects like Neelum Jhelum Hydro Power Project, Jamshoro Power Station and CASA 1000 project for improving energy needs of the country, says a press release.

The IsDB chief, however, did not mention the names of the first two biggest recipients of the bank's funding.

Dr Hajjar said during his stay in Pakistan, he had very fruitful and constructive meetings with President Dr Arif Alvi and Prime Minister Imran Khan. He expressed the hope that the prime minister's vision of "Road to Naya Pakistan" would pave way for the economic prosperity of the country.

Earlier, speaking at the roadshow event, the IsDB chief said Pakistan was an integral member of the group and was playing an active role in promoting its activities. He said the IsDB had earmarked $500 million for promoting science technology and innovation in the member countries.

The event has been organised by the IsDB in association with the OIC's Ministerial Standing Committee on Scientific and Technological Cooperation known as Comstech and it was also attended by Special Assistant to the Prime Minister on National Health Services Dr Zafar Mirza.

The roadshow is a global initiative in which applicants are invited to pitch ideas accelerating one or more of the UN Sustainable Development Goals (SDGs). The competition attracted more than 200 entrants from across Pakistan with shortlisted 20 teams presented their innovative ideas and four finalists were selected by the judging panel. The winners were awarded $3,000 and a ticket to Transformers Roadshow final to be held in Senegal later this year.

Senior Adviser to the IsDB President Dr Hayat Sindi said the quality of the applications in Pakistan had been exceptionally high and he was delighted to see so many innovative and novel solutions proposed across such a diverse mix of development issues.

"Science, technology and innovation are at the heart of the IsDB's strategy and through the Transform Fund, our dream is to support solutions designed by local entrepreneurs and innovators who understand their communities", he added.

Speaking on the occasion, Special Assistant to the Prime Minister on National Health Services Dr Zafar Mirza said there was no dearth of innovative and creative ideas in Pakistan but there was a dire need of directing efforts towards providing indigenous solutions for the problems being faced by the people.

Terming the competition a novel idea, he thanked the IsDB for providing this opportunity to young Pakistani innovators to pitch their ideas for addressing one or more of the UN SDGs.

Dr Mirza said Pakistani innovators were using their skills in producing energy from renewable technologies, which could be linked with industry to eliminate poverty and generate employment. He said with the help of IsDB they had already started a project of mobile health clinics in Islamabad to provide basic health facilities in remote areas.

Published in Dawn, May 5th, 2019

https://www.dawn.com/news/1480289/pakistan-third-largest-beneficiary-of-isdb-financing

PROVINCES ASSURE IMF OF HELPING CENTRE ON FISCAL FRAMEWORK

Amin Ahmed Updated May 05, 2019

ISLAMABAD: The provincial governments have assured the International Monetary Fund (IMF) that they would support and complement efforts of the federal government to adhere to the fiscal framework currently being discussed with the Fund.

At a joint meeting with the visiting IMF mission here on Saturday, the provincial finance ministers said that revenues from taxation had witnessed marked improvement recently. They also emphasised that they were managing their expenditures prudently for better fiscal outcomes.

The provincial finance ministers apprised the mission of various initiatives taken in their respective provinces for resource mobilisation at the sub-national level to cater for increasing developmental and social spending needs.

PM’s adviser on finance and provincial representatives meet Fund’s mission

Adviser to the Prime Minister on Finance, Revenue and Economic Affairs Dr Abdul Hafeez Shaikh, along with Sindh Chief Minister Murad Ali Shah and the finance ministers of Punjab, Khyber Pakhtunkhwa and Balochistan, held the joint meeting with the IMF mission led by Ernesto Ramirez Rigo and exchanged views on the existing fiscal situation of the country in the context of the Fund’s programme which is currently under discussion.

A finance ministry press release later stated that the IMF mission was encouraged by the shared thinking at the federal and provincial levels, while mission leader Mr Rigo appreciated the updates provided by the provincial governments.

He highlighted the importance of a harmonised system of taxation that would contribute towards increasing economic activities and business growth in the country. The finance minister said that the provincial finance ministers gave their recommendations in the meeting with the IMF mission.

The mission was apprised that the federal and provincial governments were constantly engaged on fiscal matters and the the forums of the National Finance Commission (NFC) Fiscal Coordination Committee (FCC) were being used for ensuring maximum cooperation and coordination among the federal and provincial fiscal authorities.

Sindh Chief Minister Syed Murad Ali Shah, who holds the portfolio of finance minister, in a brief chat with media personnel, emphasised the need for the federation to bring improvements in its collection of taxes. Mr Shaikh had acknowledged the pressure on provincial governments due to insufficient tax revenues, he said.

He hoped that the situation would improve with the revival in the present sluggish economy, and it was only then, the tax collections would improve. He said Sindh had a higher tax collection rate. “We have to work on the shortcomings of our economy only then we will be able to make things better,” he said.

Following the talks with the IMF mission, Mr Shaikh briefly spoke to media personnel and said that the government would announce appoi-ntments to the key posts of the governor of the State Bank of Pakistan and the chairman of the Federal Board of Revenue in a day or two.

"We are bringing people who have shown good performance," Mr Shaikh said in response to a question.

Published in Dawn, May 5th, 2019

https://www.dawn.com/news/1480344/provinces-assure-imf-of-helping-centre-on-fiscal-framework

PROVINCES RESIST IMF'S DEMAND OF RS430B CASH SURPLUSES

By Shahbaz Rana Published: May 5, 2019

ISLAMABAD: The International Monetary Fund (IMF) has sought over Rs430 billion cash surpluses from provinces in the next fiscal year – a demand that the federating units have termed unrealistic and linked any cash surplus with ability of the federal government to collect more taxes.

In a meeting with Pakistani officials at the Q-Block, the IMF mission urged them to throw cash surpluses of around 1% of the Gross Domestic Product (GDP) or over Rs430 billion for fiscal year 2019-20, sources in the Finance Ministry told The Express Tribune. The demand has been made to keep the overall budget deficit below 5% of the GDP and project a primary fiscal balance.

Adviser to the Prime Minister on Finance Dr Abdul Hafeez Shaikh, along with Sindh Chief Minister Murad Ali Shah and provincial finance ministers of Punjab, Khyber-Pakhtunkhwa and Balochistan, held a joint meeting with the IMF mission, led by Ernesto Ramirez Rigo.

The meeting took place in context of the IMF programme that Pakistan is seeking to lessen pressure on external sector and put the economy on sustainable path of economic growth –an objective that was common in every 21 programmes that Pakistan signed with the IMF so far.

Due to lower expenditures than the total revenues, the four federating units often book surplus cash that in turn is used for calculating the overall budget deficit of provincial and the federal governments.

But the provinces found the IMF demand unrealistic and linked the cash surplus with the additional revenues that they will receive from the Centre under the National Finance Commission (NFC) award in the next fiscal year.

As against the IMF's demand of over Rs430 billion cash surplus, the finance ministry also expects that the four provinces may generate cash surplus of around Rs275 billion or 0.6% of the GDP.

The provinces were inclined to accept the finance ministry's cash surplus demand but they linked it too with the Federal Board of Revenue's (FBR) ability to collect more taxes.

For this fiscal year, the FBR is expected to collect less than Rs4 trillion in taxes – a figure that the IMF wants to see at around Rs5.4 trillion in the next fiscal.

The finance ministry officials believed that due to nearly Rs1.4 trillion additional tax collection, the provincial governments will be in a position to throw cash surpluses.

The four federating units get 57.5% of the federal taxes as their share under the NFC. However, the FBR sustained over Rs345 billion shortfall in tax collection during the first 10 months of this fiscal year, which also adversely hit provincial budget allocations.

“What provinces can’t afford is to reduce their provincial budgets from this year’s levels for the sake of generating cash surpluses,” said the K-P Finance Minister Taimur Saleem Jhagra.

Jhagra said the cash surpluses must come from the additional tax revenues to be generated by the FBR next year.

The provincial governments assured the mission that they would support and complement the efforts of the federal government to adhere to the fiscal framework being discussed with the IMF, according to a handout issued by the finance ministry after the meeting.

The main concern for the provinces was to protect their development spending, as low public spending has also hit the economic growth leading to higher unemployment in the provinces.

The K-P’s finance minister said his recommendation to the federal government was to engage more with political leadership of the provinces on all these issues. To a question, he made it clear that there will be no compromise on provincial autonomy. Jhagra said talks with the IMF should conclude soon so that the phase of uncertainty ends and the country may move forward.

“It is expected that the federal government would now improve its tax collection, as the shortfall in tax revenues is adversely affecting the provincial budgets,” said Sindh CM Murad Ali Shah, who also holds the portfolio of the provincial finance minister.

“The provincial tax collection efforts are better than the federal government but there is still room for improvement,” Shah said, adding that slowdown of economy is also affecting the tax collection.

To a question, Shah said the GST on services is a provincial subject and it has been reiterated during the meeting. Due to budget exercise, the NFC meetings may not take place, he said.

“The participants exchanged views on the existing fiscal situation of the country in the context of the Fund programme which is currently under discussions,” said a handout of finance ministry issued after the meeting.

The ministry said the mission was apprised that the federal and provincial governments are constantly engaged on fiscal matters and the NFC and the Fiscal Coordination Committee forums are being used for ensuring maximum cooperation and coordination among the federal and provincial fiscal authorities.

The provincial finance ministers apprised the mission of various initiatives taken in their respective provinces for resource mobilisation at the sub national level to cater for the increasing developmental and social spending needs.

They said the revenues from taxation had witnessed marked improvement recently. The provinces also emphasised that they were managing their expenditures prudently for better fiscal outcomes.

“Rigo highlighted the importance of a harmonised system of taxation that would contribute towards increasing economic activities and business growth in the country,” said the ministry.

Dr Abdul Hafeez Shaikh also separately chaired a meeting of Fiscal Coordination Committee (FCC). The meeting considered the recommendations of the FCC Sub-Committee on Public Finance Management Reforms on incentive grant system to provinces under Performance for Results Programme.

It approved the incentive grant for provinces as proposed by the sub-committee with the direction that further refinement, if required, may be made in the procedures in consultation with the provinces.

The federal government will provide grants to provinces, through the incentive grant system, subject to fulfillment of certain baselines in the public finance management and social sector developments, especially in Health and Education sectors.

https://tribune.com.pk/story/1965925/2-provinces-resist-imfs-demand-rs430b-cash-surpluses/

PML-N SAYS COUNTRY MADE IMF'S COLONY

By Our Correspondent Published: May 4, 2019

LAHORE : The Pakistan Muslim League-Nawaz (PML-N) on Saturday condemned the federal government's decision to sack heads of central bank and the top tax collection authority and said the country has been turned into the International Monetary Fund's (IMF) colony.

Top leaders of the PML-N, which underwent a major restructuring on Friday, met at the party's central secretariat to exchange views on the PML-N supreme leader Nawaz Sharif's return to jail, the overall situation of the country, the PML-N's future strategy and activating the party at all levels.

According to sources, the leaders decided to launch a protest against the government's policies inside and outside the parliament. Later speaking to the media, the PML-N senior leaders said Nawaz Sharif whose six-week bail period is going to end on May 7 will surrender to authorities on the same day.

A day before the party restructuring, PML-N President Shehbaz Sharif had stepped down as the Public Accounts Committee (PAC) chairman, awakening the rumour mills that said Shehbaz, who is facing multiple graft cases, will not return to Pakistan now. However, the PML-N leader said Shehbaz Sharif visits London every year and will return to the country in eight to 10 days.

Speaking on the occasion, Rana Sanaullah said: "The country has been made a colony of the IMF on whose instructions the government on Friday changed the State Bank of Pakistan (SBP) governor and the Federal Board of Revenue (FBR) chairman."

He said the party will be organised to activate it at the divisional and district levels. "The government has made it difficult for the poor to make ends meet and the IMF's team has been included in the cabinet. The party is organised to rid the country of this incompetent govt," he said.

Sanaullah termed the Supreme Court's Friday decision not to grant 'permanent bail' to Nawaz Sharif as regrettable, adding that the former premier has the right to a bail on medical grounds.

To a question about Shehbaz Sharif's team being ousted and Nawaz Sharif's team being ushered in through the reshuffle, Sanaullah said the team of Nawaz has entered with approval of Shehbaz.

"This is the first stage during which the Central Working Committee and Central Executive Committee have been reorganised."

Shahid Khaqan Abbasi, who was appointed as the PML-N's senior vice president on Friday, said Nawaz Sharif, Shehbaz Sharif and all party workers share the same narrative. "Who will disagree that the vote should not be respected?" he asked.

He said the disgruntled party leader Chaudhry Nisar Ali Khan has not contacted with the party. "There is still a place for Chuahdry Nisar Ali Khan in the party and in our hearts," he said. Abbasi said Maryam Nawaz has played an active role in the party. "Her presence in the party will motivate the workers."

Former interior minister Ahsan Iqbal admitted that there has been a delay in the restructuring of the party but said now they would work 24 hours. He said the government's move to abolish the local body institutions was illegal and unconstitutional.

"For the first time in the history of the country, Pakistan has been made an IMF colony. The PML-N will not allow the country to be sold and strong protests will be carried out against this move," he said.

Hamza Shehbaz, who is also one the PML-N vice presidents, condemned rise in petroleum prices and termed it unacceptable to the public. In a statement, Hamza said owing to 10% inflation, the prices of vegetables, fruits, household items and everything had increased manifold.

He asked Prime Minister Imran Khan how people would survive the entire month in their existing situation when it was getting difficult to survive even a single day. "The rise in prices of petrol be taken back immediately as the public could not tolerate the oppressive reign of inflation anymore," he said.

The PML-N central spokesperson Marriyum Aurangzeb also criticised the federal government policies and said Prime Minister Imran Khan had surrendered the entire country to the IMF.

"First the county's finance minister was sacked to make way for the IMF's pick for the job and now Khan had appointed the SBP governor and the FBR chairman on whims and fancies of the IMF," she added.

https://tribune.com.pk/story/1965718/1-nawaz-sharif-turn-jail-authorities-may-7/

CHALLENGE FOR PAKISTAN IS TO SUSTAIN GROWTH LEVELS: ADB

By Sumaiya Kamani Published: May 5, 2019

NADI, FIJI: Even with Pakistan's continually ballooning twin deficit, experts believe there is a silver lining for economic growth, which may soar by the end of Pakistan Tehreek-e-Insaf (PTI) government's tenure.

The opinion is that a high growth rate seems fairly achievable, however, sustaining the level is the real challenge.

"At the end of the five-year election period (of the PTI government), we may look at 5-6% or even 7% growth (in GDP)," said Asian Development Bank (ADB) Director General for Central and West Asia Department Werner Liepach on the sidelines of the 52nd ADB Annual Meeting.

Liepach, who is also the former country director for Pakistan, gave an optimistic outlook on the country's economy. He told The Express Tribune that the country first needs to reach an optimum level and then sustain it.

Pakistan's growth rate is highly volatile as it increased from 4.6% in 2016 to 5.4% in 2017 and has started following a negative trend again with 5.2% growth rate in 2018, said the official, adding that it is expected to fall further below 4% level in FY19. Highlighting the country's unstable economic growth, the ADB director general said Pakistan's economy is volatile as it keeps going up and down.

However, he was of the view that the country can push it up again. Citing an example of Asian countries, he said Central Asia is one of the most dynamic regions of the world and everybody around Pakistan is growing. Regions including Central Asia, China, India and Middle East are also growing at a fast pace, Liepach remarked.

"I see no reason why Pakistan should not grow at the same pace as its neighbours as it is a very dynamic region." Pakistan posted a growth rate of 5.8% in the previous fiscal year, which although was later officially revised downward to 5.2%, was the highest growth rate in 13 years. Considering this, it is not far-fetched to think that Pakistan may achieve growth of over 6%, but the challenge is in maintaining that level.

Liepach said that during the tenure of the previous government, economy did near the 6%-mark, but the problem occurred when it dropped again.

Another ADB official present on the occasion, conceded to the volatility of the country's growth rate saying, "Every time Pakistan tries to go over 5-6%, it runs into a balance of payments problem, as it needs to import machinery and other things to grow."

He said that the only sustainable way of maintaining a high growth rate is by avoiding falling into balance of payments problems and going back to the International Monetary Fund (IMF), which is happening again now.

Liepach was of the view that IMF is not to be blamed for Pakistan's repeated visits, but the country is in a habit of blaming the Washington-based agency for its repeated visits.

"Pakistan blames IMF for its repeated visits to the lending agency. It has always done that and this is what it loves to do."

He further said that it was only this once that Islamabad managed to push a programme through all the way, as normally it abandons the programme halfway and then goes back again.

"If Pakistan had followed through on most of the programmes, they would not have needed to go to the IMF right now," the director general stated. In order to avoid returning to IMF for a bailout package and to control balance of payments deficit, there was a need to build up exports and earn enough dollars for sustainable imports, the official stated.

He said that this was really a fundamental issue Pakistan is facing, which is why the IMF programme is also going on right now.

The former country director said the business environment of Pakistan is not really that conducive, considering the energy shortages, unskilled labour issues, international agreements that give preferential access to markets, at least at par with other countries.

"A well-functioning export finance system would be helpful, so there are a couple of things that need to be addressed," he remarked.

Even after a massive devaluation of the Pakistani rupee against the greenback by 33% since December 2017, exports have seen only a flat growth so far, which does not even make up 0.1% of the export growth.

Liepach said, "You have to pay a lot of taxes on your imports, which of course hampers the export competitiveness as well. It is naïve to say exports will go up because of the exchange rate, as it is not one dimensional."

In this regard, the ADB claims to support the government and the reforms. "We are now preparing a new programme for $500 million that we would like to present to our board, perhaps in July. It would support export competitiveness in Pakistan. It will also particularly look at tax and duty rationalisation."

Moreover, the ADB Chief Economist Yasuyuki Sawada also laid down his views regarding the impact of IMF on Pakistan's economy.

He told The Express Tribune that the IMF's programme can create some distributional consequences for the lower-income group of the country. "Of course, IMF and the government should really care about the consequences on lower-income population," Sawada said.

However, at the same time, a medium-term stabilisation of the economy is also quite important, he commented. "We're all aware of this potential issue. We care about macroeconomic stabilisation but also keep poverty reduction trend as before," stated the ADB chief economist.

Macroeconomic risk can generate really huge consequences on lower income people and the poor segment society, he said adding in other words, IMF driven programme is a necessary precondition for robust poverty reduction plan.

Published in The Express Tribune, May 5th, 2019.

https://tribune.com.pk/story/1965797/2-challenge-pakistan-sustain-growth-levels-adb/

DEAL WITH IMF TO BE SIGNED SHORTLY, SENATE TOLD

Iftikhar A. Khan Updated May 03, 2019

ISLAMABAD: As the controversy over talks with the International Monetary Fund echoed in the Senate on Thursday, the house was told that a deal with the IMF will shortly be finalised.

"We are in the process of working out technical details with the IMF team currently visiting Pakistan and will bring the agreement before finance committees of both houses of parliament once it is finalised," said Minister of State for Revenues Hammad Azhar in reply to a calling attention notice of parliamentary leader of the Pakistan Peoples Party (PPP) in the Senate Sherry Rehman.

He said the talks had been under way since October last year, but an internal change had taken place within the IMF and a new team is in Pakistan for three days and it will stay here till May 10.

He dispelled the perception about division within the cabinet over the IMF conditions, saying the cabinet never discussed them.

The Senate witnessed rumpus when Mr Azhar, while rejecting the criticism of the rupee devaluation, said the PPP's first eight months in power saw the worst-ever devaluation of 25 per cent as compared to 10.1pc during the Pakistan Muslim League-Nawaz government and 10.8pc during the PTI government.

Foreign minister was asked to brief parliament on listing of Masood Azhar as a global terrorist

Terming the opposition's figures distorted, the minister rejected the notion that the government had crossed the red line of double-digit inflation. Mr Azhar said inflation had rather been brought down from 9.4pc to 8.8pc. It was 24.5pc during the PPP's rule, he added.

About the opposition's objections to the increase in prices petroleum products, he said the prices had gone up in the international market.

Earlier, Sherry Rehman reminded the government to stay within the ambit of the Constitution. "The government cannot use the IMF to step over the Constitution or suggest that the provinces are not fulfilling their taxation responsibilities. After the 18th Amendment, sales tax has remained with the provinces. The government must stay in line with the Constitution," she remarked.

She said there was a net increase of Rs.1.44 trillion (almost 19pc) to Rs9.23trn in the external debt in first eight months of the current financial year. On average, the PTI government has been adding Rs15bn a day to the country's debt. The PPP had added Rs5bn a day.

Meanwhile, former Senate chairman Raza Rabbani, while speaking on a point of public importance, sought a briefing by Foreign Minister Shah Mehmood Qureshi on the recent designation of Jaish-e-Mohammad chief Maulana Masood Azhar as a global terrorist by the UN Security Council and China's dropping its objection to the proposal.

Published in Dawn, May 3rd, 2019

https://www.dawn.com/news/1479891/deal-with-imf-to-be-signed-shortly-senate-told

$1BN ADB LOAN LIKELY FOR BUDGETARY SUPPORT

Khaleeq Kiani Updated May 03, 2019

THE Asian Development Bank (ADB) on Thursday agreed to give $1bn budgetary support to Pakistan soon after a green signal from the International Monetary Fund (IMF) as the government had promised to have a majority transformation of its high debts having serious socio-economic and financial repercussions.

Speaking at a news conference at the 52nd Annual Meetings of Board of Governors, ADB President Takehiko Nakao said his bank had received a request from Pakistan for a budget support of about $1bn in addition to its IMF programme and normal large operations of the ADB for years.

"We are waiting for a good outcome of discussions over an IMF programme and if the IMF programme is there we would be happy to extend the budget support and other policy loans quite soon," Mr Nakao said. At the same time, President Nakao expressed concern over repeated IMF bailouts.

“Pakistan has repeatedly visited IMF for a programme for balance of payments support. Repeated visits to IMF are not a good idea. It is better to be more solidly and steadily settle BoP and fiscal issues.

Pakistan’s public debt and liabilities have gone beyond 72pc of GDP, says Ishrat

He said he had a meeting in April with Pakistan authorities and a minister (Dr Ishrat) level discussion on the sidelines of ADB’s Fiji conference and was also in close contact with the IMF. He said it was good that the IMF was now there despite different views about the democratic process.

He said the Manila-based lending institution was ready to support Pakistan on the basis of IMF programme because Pakistan had a good opportunity to ensure democratic stability which was important for economic growth.

Meanwhile, speaking at a high-level panel discussion with President Nakao and deputy managing director of IMF Mitsuhiro Furusawa, Prime Minister’s adviser on Institutional Reforms and Austerity Dr Ishrat Husain conceded that Pakistan was in violation of the Fiscal Responsibility and Debt Limitation Law as its debt to GDP ratio had crossed 72pc instead of a limit of 60pc that could cause serious consequences.

He also dismissed notions/questions that Pakistan’s debt problem was the result of Chinese loans saying they were no more than 11.5pc of the total external debt of around $100bn. The adviser said that Pakistan had deliberately and continuously made full disclosure of its debt, liabilities and other obligations as part of regular reporting to the IMF, the World Bank and the public domain and it had never been asked questions about its credibility.

He, however, conceded that Pakistan had a debt problem with total public debt and liabilities going beyond 72pc of the GDP. Of this 72pc, maturity of about 40pc was domestic debt raised from commercial banks, national savings and the central bank having very serious repercussions on public finance as 37pc of the country’s revenue last year went to debt servicing and may have gone beyond 40pc this year mainly because of a 33pc currency depreciation against the dollar.

He said that this was a major problem because it had led to a cut in development programme and it had affected social sector improvement and poverty reduction efforts. The real challenge, he said, was on the domestic front, adding that the external public debt and liabilities were now around 33pc of the GDP.

He that that 72pc of Pakistan’ external debt came from multilaterals, commercial bank, the IMF and bilateral creditors. Of this, about 33pc came from multilaterals and therefore no worries while 14pc was from banks and short-term commercial loans. Of the total external debt and liabilities, only 11.5pc came from China against perceptions. He said that 75-80pc of Pakistan debt was government guaranteed.

He said that the debt vulnerability had some concerns as concessional loan had come down to 43pc from 55pc a few years ago while the non-concessional loans had gone up to 57pc.

He said that floating debt was now 36.5pc compared to 63.5pc of fixed debt. He said the government was now in the process of debt transformation towards medium and long term it was risk responsive to external economic environment.

Secondly, the government was trying to move towards concessional and quasi-concessional loan and engaging with Japan which used to be the single largest bilateral creditor but stopped after nuclear blasts two decades ago to come back and finance infrastructure and social development.

Thirdly, the government was working on increasing exports, remittances and foreign direct investment and working hard to mobilise domestic revenues to reduce fiscal deficit and create positive primary balance.

He made a strong defence of the CPEC, saying that $45bn investment announced by President Xi Jinping in 2015 was spread over 15 years compared to Pakistan's annual investment programme of $50bn.

Published in Dawn, May 3rd, 2019

https://www.dawn.com/news/1479926/1bn-adb-loan-likely-for-budgetary-support

IMF SEEKS 25 PERCENT INCREASE IN POWER TARIFF?

MUSHTAQ GHUMMAN | MAY 3RD, 2019 | ISLAMABAD

International Monetary Fund (IMF) has reportedly positioned the federal government in a very difficult position by demanding an increase of 25 percent in power tariff with effect from July 1 2019 on the basis of zero losses, well-informed sources in the federal government told Business Recorder.

The sources said Power Division senior officials had updated the IMF team about prior actions, already taken, and future targets for a possible financial package of up to $ 6.50 billion. IMF and GoP are likely to sign the agreement on May 10, 2019. The issue of circular debt is a major topic presently under discussion. Power Division has assured the IMF that it wouldbring down the circular debt to Rs 250 billion by December 2019 for which Sukuks of additional Rs 200 billion would be issued. Discos have already shared the details of their properties with the Power Division which will be pledged against the loan.

According to sources, the units available with Discos are not being sold in full to consumers. There is considerable gap between production and sale due to system losses which will increase further if no improvement is brought in the national transmission and distribution system. There is also a substantial gap between billing and receivables of Central Power Purchasing Agency Guaranteed (CPPA-G). It was pointed out that this gap can be reduced if subsidies earmarked for power sector are paid by the government on time, quarterly adjustments are done by Nepra and notified and there is an improvement in recoveries by Discos.

Power Division team has informed the IMF team that they have increased recovery by Rs 52 billion through a drive against defaulters and electricity thieves.

The sources further stated that figures for FY 2017-18 and projected figures for FY 2018-19 and 2019-20 show that tariff differential subsidy in FY 2017-18 was Rs 49 billion whereas it was Rs 52 billion till December and an additional Rs 48 billion for Jan-June during FY 2018-19. The projected TDS during July-December 2019-20 will be Rs 47 billion in July-December and Rs 42 billion in January- June, totaling Rs 89 billion.

During 2017-18, total amount on account of TDS, Fata (subsidy), Balochistan Agri(subsidy), Karachi Electric, Late Payment Surcharge (LPS) Discos and TRS(Discos) ADTR has been calculated at Rs

127 billion whereas projections for FY 2018-19 are Rs 289 billion (July – December Rs 91 billion and Jan-June Rs 198 billion). However, for FY 2019-20, the projected amount will be Rs 193 billion in July-December and Rs 228 billion in January-June, totaling to Rs 422 billion.

In 2017-18, financial gap with subsidy was Rs 450 billion whereas it will be Rs 313 billion in FY 2018-19 and Rs 247 billion in FY 2019-20. If the government does not take measures to control losses, it has to increase tariff to collect Rs 367 billion from consumers in FY 2018-19 and Rs 384 billion in FY 2019-20.

Power Division has proposed quarterly adjustment of Rs 150 billion through quarterly adjustments in FY 2018-19 and Rs 60 billion in FY 2019-20. With this adjustment, power sector would face a shortfall of Rs 223 billion in FY 2018-19 and Rs 97 billion in FY 2019-20.

Power Division has suggested following measures to bring down losses to zero: (i) the impact of increase per unit on the consumers would be from Rs 12.98 per unit to Rs 13.85 per unit in March 2019 and then Rs 15.31 per unit in June 2019 to stop flow of subsidies due to quarterly adjustments; (ii) the flow in 2018-19 will be Rs 223 billion (Rs 2.14 per unit) and flow in 2019-20 will be Rs 97 billion (Rs 0.94 per unit) after initiatives; (iii) to bring the flow to zero starting from FY 2019-20 in addition to quarterly adjustment notifications, an additional increase of Rs 0.94 per unit will be required; (iv) total tariff will be Rs 16.24 per unit from Rs 12.98 per unit, indicating a net increase of Rs 3.26 per unit; (v) this tariff adjustment will be in addition to monthly FPA which will result in an increase of Rs 1.9 per unit if gas is supplied @ 850 mmcfd in April, May and June.

https://fp.brecorder.com/2019/05/20190503469160/

JULY-MARCH 2019: $3.147 BILLION BORROWED FROM FOREIGN BANKS

TAHIR AMIN | MAY 3RD, 2019 | ISLAMABAD

The Pakistan Tehreek-e-Insaf (PTI)-led government borrowed $2.648 billion from foreign commercial banks in March, bringing the total to $3.147 billion under this head in the current fiscal year (July-March) 2018-19, compared to $1.722 billion during the same period of last year. The latest data of Economic Affairs Division (EAD) shows that the country provisionally received over $5.84 billion of the budgeted foreign assistance in the first nine months (July-March) of current financial year 2018-19 against $7.91 billion during the same period of last year (2017-18), showing a reduction of about 27 percent.

The assistance received as tabulated by the EAD does not include the 3 billion dollars received from Saudi Arabia, and 2 billion dollars from United Arab Emirates this year with another one billion dollar pledged by UAE in the current fiscal year.

The PML-N government had estimated foreign assistance of $9.69 billion for 2018-19 including $394.34 million grant and $9.297 billion loans, as shown in EAD data.

The country received $11.486 billion against the budgeted assistance of $8.094 billion for 2017-18 including $3.716 billion from foreign commercial banks.

According to the latest figures, the country provisionally received $2.895 billion including $2.879 billion loan and $15.28 million grants in March.

The previous government had budgeted $2 billion from foreign commercial banks for 2018-19, but borrowing under this head reached $3.147 billion in March and surpassed the budgeted estimates.

China Development Bank disbursed $2.234 billion, Industrial and Commercial Bank of China (ICBC) $300 million, Ajman Bank $74.04 million and Eco Trade Bank $39.80 million in March.

The country received $25 million from the consortium-led by Suisse AG, UBL and ABL in December, besides $50 million received in November from the consortium.

Pakistan borrowed $159.5 million in October from Dubai Bank. According to the EAD data the loan agreement of $160 million was signed on September 26, 2018 by the PTI government of which $159.5 million has been received so far. Noor Bank disbursed $20 million in July out of the total committed amount of $130 million.

The Suisse AG disbursed $50 million out of its total commitment of $750 million in July. The country received $170 million in September from consortium-led by Suisse AG, UBL and ABL.

According to the EAD data the loan agreement of $200 million was signed on September 24, 2018 by the PTI government, but the government has crossed the figure and has received $245 million so far.

Besides the $2.534 billion commercial loans, China disbursed $1.256 billion in the current fiscal year including $47.43 million in March against the budgeted estimates of $840.99 million. China released $47.43 million for Sukkur-Multan-Peshawar Motorway (China Pakistan Economic Corridor) project.

Asian Development Bank (ADB) disbursed $14.78 million in March bringing the total disbursement to $390.89 million in the current fiscal year against the budgeted estimates of $1.38 billion for the entire year.

USA disbursed $57.25 million, International Development Association (IDA) $165.95 million, IDB (S-Term) $506.43 million, UK $80.40 million, France $46.93 million, Japan $61.30 million and Germany $14.15 million in the current fiscal year so far.

https://fp.brecorder.com/2019/05/20190503469167/

ABC HOSTS FIRST ANNUAL CSR DAY

RECORDER REPORT | MAY 3RD, 2019 | KARACHI

The American Business Council of Pakistan (ABC) hosted its first annual CSR Day. This year’s them was “Impacting Futures – Building Communities” and showcased the work being carries out in the field of Corporate Social Responsibility by American companies operating in Pakistan. Last year ABC members partnered with NGOs nationwide contributing over Rs 570 million and impacting more than 400,000 lives.

In this first inaugural session to celebrate and showcase the commitment to CSR, a number of ABC member’s highlighted various initiatives to support NGO’s like Green Crescent Trust, Hunar Foundation, Indus Hospital, FESF (Deaf School), HOPE and many more. Through programs such as “Maseeha”, “WeSeeEqual”, “Mitao Bhook”, in various sectors including Healthcare, Education, Women’s Empowerment, Special needs, Environmental Conservation, Child Welfare and many others.

USAID Director, Michael Hryshchyshyn was present at the event and conveyed the remarks of the US Consul General in Karachi, JoAnne Wagner when he said, “It is exciting to see that American companies are finding success here in Pakistan. But success for American companies is more than just making a profit. Success also means doing the right thing, giving back to the community, making lives better for your customers, and being a positive role model for others to follow.”

In addition to running successful businesses, ABC members with their global expertise and best practices are contributing significantly to enhancing social development in Pakistan.

The President of the ABC, Jamal Mir thanked everyone for attending and making ABC’s first CRS day success. He said, “This first step not just showcases our work, but encourages even great involvement and participation for the future – enhancing ABC’s contribution and commitment the development of Pakistan.”

The American Business Council of Pakistan (ABC) was formed in 1984. It is the single largest chamber of US Businesses in Pakistan recognized by the Ministry of Commerce.

https://fp.brecorder.com/2019/05/20190503469232/

SHAH URGES GOVERNMENT TO SHARE TERMS & CONDITIONS OF IMF, ADB LOANS

RECORDER REPORT | MAY 1ST, 2019 | ISLAMABAD

Pakistan People Peoples (PPP) leader and former leader of opposition in the National Assembly, Syed Khursheed Ahmed Shah has said that Pakistan Tehreek-e-Insaf (PTI) government should share the terms and conditions of the loans being taken from the International Monetary Fund (IMF), China and Asian Development Bank (ADB) on the floor of the Parliament.

Addressing ‘Meet the Press’ here at National Press Club on Tuesday, the PPP leader said that despite political differences with PTI, the PPP would cooperate with the government for the betterment of the masses and strengthening and improvement of economic condition of the country.

He said that taking loan from the IMF was not in favour of the country but it was imperative for stabilising the economy. He said the government had no economic policy. He said the government was imposing more taxes on the people instead of giving them relief. He said the prices of gas, medicines and petroleum products had been increased. He said that utility stores had been closed, adding the poor people were in miserable condition due to increasing inflation in the country.

Khursheed Shah claimed that the gross domestic product growth rate in 2013 was 5.3 percent but now it was only 2.4 percent, inflation was 5.3 percent in the PPP’s tenure and now it was crossing nine percent.

He said the PTI government should fulfil its promises including providing job opportunities to the youth and maximum relief to general public.

He said as a political worker it was the constitutional responsibility of the every parliamentarian to discuss and resolve all the problems being faced by the downtrodden segment of the society, adding the democratic system was the best option for improving pathetic condition of the poor.

Shah said the PPP had inherited bad economic situation and the country was facing so many challenges including shortage of wheat, internally displaced persons (IDPs) from Swat, floods and others but the government faced all the challenges and addressed most of them amicably. He said the PPP government increased 125 percent salaries of eight million government employees and enhanced 100 percent pension during its tenure, adding that four million widows were provided financial assistance through Benazir Income Support Programme (BISP).

He said the share of provinces had been increased by announcing National Finance Commission Award and share of federation was decreased from 56 percent to 43 percent.

Responding to a question Shah said the PPP had neither supported terrorists nor issued statements in their support, adding he had failed to understand why it was being negatively portrayed.

https://fp.brecorder.com/2019/05/20190501468807/

LOANS WORTH $37B TO BE RETIRED WITHIN 5 YEARS, SENATE TOLD

By Our Correspondent Published: April 30, 2019

ISLAMABAD: Minister of State for Revenue Hammad Azhar on Tuesday informed the Senate that loans worth $37 billion loan would be retired in the next four and half years.

Responding to various supplementary questions during question hour, the minister said, “Out of the said loan, $9.2 billion will be retired during this year.”

He said the incumbent government inherited the excessive loans and efforts were being made to put the country in the right direction, adding that owing to the steps taken by the government, the current account and trade deficits had witnessed persistent decline.

To another question, the minister said that Rs27,376 billion domestic and $3,395 million external loans have been paid since July 1, 2018 to February 28, 2019.

“Around $ 1.2 billion interest has also been paid on the loans during the said period,” he added.

Azhar said the government obtained Rs1,185 billion net domestic loans during September 2018 to January 2019 while $1,758 million, comprising $1,682 million as foreign loans and $77 million as foreign grants, were received during the said period.

He said domestic debt was primarily utilised for budgetary support that includes infrastructure and development needs as well as debt servicing of the country.

Meanwhile, foreign borrowing was required to service existing debt, finance essential imports, and stabilise external reserves to maintain external account sustainability in global context, he added.

Minister of State for Parliamentary Affairs Ali Muhammad Khan informed the Senate that Pakistan Council for Research in Water Resources (PCRWR) was conducting monitoring of mineral/bottled water samples on quarterly basis and that 78 samples of mineral bottled water brands were collected for the quarter, October-December, 2018.

Responding to a question during question hour, on behalf of minister for science and technology, the minister said samples were collected from Islamabad, Multan, Lahore, Bahawalpur, Quetta, Tando Jam and Karachi. Comparison of analytical findings with permissible limits of Pakistan Standard Quality Control Authority revealed that six brands were unsafe chemically or microbiologically.

These brands included Karakoram Flow, Crystal Maya, Alpha, Aqa Ayolam, Paradise and Hibba, he added.

“The findings of quarterly monitoring report of mineral/bottled water brands have been disseminated through print media and official website of PCRWR for the awareness of general public,” he said, adding that the quarterly monitoring report had been sent to the chief secretaries of all the provinces and the Pakistan Standard and Quality Control Authority director general with the request to take appropriate legal action against the substandard brands.

Senate Deputy Chairman Saleem H Mandviwala said that it was a serious issue and crackdown in all provinces should be launched against such companies.

He asked the minister to write letters to all chief secretaries for taking immediate steps.

Earlier, Senate Chairman Sadiq Sanjrani had to adjourn the session for 15 minutes due to the opposition members’ protest against the absence of ministers.

Senator Raza Rabbani said, “Parliament is not being given importance. The ministers should be in parliament.”

Leader of the House Shibli Faraz said, “Cabinet can never take parliament’s place.”

https://tribune.com.pk/story/1962986/1-loans-worth-37b-retired-within-5-years-senate-told/

IMF PROGRAMME: COULD BE VERY TOUGH

BR Research April 29, 2019

The IMF team is in Islamabad to finalize the conditions for the upcoming programme. Apart from an agreement on having a flexible mechanism on exchange management and probably an understanding on interest rates, nothing is final as yet. These two items, have largely been adjusted to the Fund’s liking, still there is some room for adjustment.

The elephant in the room is fiscal, and there is no concrete plan presented by the MoF to the IMF. Hence, there is no soft commitment on certain measures with the IMF. The broad contour is to lower the fiscal deficit and the tax revenues are estimated to grow by 1.7 percent of GDP. Administrative measures or technology use argument, at best, can buy MoF 0.3 percent of GDP relaxation.

The gap of 1.4 percent of GDP or around Rs600 billion new taxes has to be filled. That is a big number. The ministry sources are saying that they have a plan and there is a broader agreement with the IMF on it. However, journalists and policymaking circles in Islamabad are of the opinion, that things could go in any direction and nothing is final until it is agreed with the Fund.

The ministry is saying that the GST rate would remain unchanged at 17 percent, while those who have dealt with the IMF, in previous programmes fear that the Fund may not settle for anything less than 1-3 percent increase in GST – one percent increase in GST can fetch around Rs70-80 billion a year. In the first year of PPP government , the GST was increased from 15 to 16 percent, and in first year of Dar, the rate further increased to 17 percent. Will it be 18 percent this time under PTI?

This government is not left with many options in the fiscal exemptions and expenditure to lure IMF for additional revenue generation. In the previous few programmes, governments extracted maximum juice. Another way to put it is that the previous finance czars had used their opportunities to convince the IMF on vague plans.

Now the Fund appears to be in no mood to listen on intangibles. The new finance minster does not subscribe to the political philosophy of Imran, and he could care less on public outcry as a result of tough measures. He probably will take Fund's side to show results.

Some revenues may start coming back after reinstated taxes on telecom consumption. The relief to salary class will likely be reversed. There is ample room in petroleum levy on petrol and diesel and it does not have to be shared with provinces. Plus, the taxation stuck in GIDC can bring some relief. Apart from these, still some exemptions may have room for collection on removal, where IMF can be convinced.

But doing all these will bring inflation home. And the number would be higher if GST is moved up. The oil prices are hovering over $70/barrel. Higher prices, along with higher PL may hurt consumers hard. The other tough measures are in terms of clearing the mess in the energy sector which does not truly reflect in above the line fiscal numbers. Expect significant increase in electricity and gas prices. That is no good for the inflation outlook.

The other inflationary impact could come from currency adjustment. The currency is stable and with expected finalization of the IMF programme, the volatility may remain absent from exchange rate market. But cum July, the designing flexibility in exchange rate market may let the rupee slide further against the USD.

To date, the economy has dealt the currency depreciation as despite around thirty percent adjustment, inflation in yet to cross double digit. With some correction in gas pricing and house rent index, the CPI which stood at 9.4 percent in March, may be revised down by 1-1.2 percentage point.

But the situation could be tough in quarters to come. The economic absorption of currency adjustment on commodity prices, due to relatively low domestic prices to international, prior to currency adjustment, is over now. Any further rupee fall would have higher inflationary consequences.

Days are tough ahead. Next six months are critical for Imran and his government. He has already lost the star batsman, and the weather is still overcast. Forget about scoring runs – like generating employment through better economic growth in FY20.

https://www.brecorder.com/2019/04/29/493242/imf-programme-could-be-very-tough/

NEWS COVERAGE PERIOD FROM MAY 6TH TO MAY 12, 2019

EXPORT INDUSTRIES FEAR: PRODUCTION COST TO SOAR IF UTILITIES' RATES ENHANCED UNDER IMF DEAL

NUZHAT NAZAR | MAY 12TH, 2019 | ISLAMABAD

The exports-oriented industries feared that any further price increase in utilities – gas, electricity and water – as an outcome of the International Monetary Fund bailout package would make them uncompetitive in world markets further widening the trade deficit.

This was the consensus of representatives of different export sectors while talking to this correspondent. Chairman Pakistan Apparel Forum (PAF) Javed Balvani said that cost of production would rise if government increases electricity and gas prices for the five export-oriented sectors.

“Cost of production is already high in Pakistan compared to our competitions including Bangladesh, India and Vietnam”, said Balvani adding that with a further increase in electricity and gas prices, exports would be severely impacted and may lead to factory closures which will make thousands jobless.

Balvani urged the government to provide a level playing field for the exporters by not putting additional burden on them through raising utility prices.

Zubair Motiwala, Chairman Pakistan-Afghanistan Joint Chamber of Commerce and Industry (PAJCCI) concurred and stated that business will shutdown if the cost of doing business will further increase and hurt overall production.

He added that local production would not be able to compete in the market where imported goods will be cheaper. Motiwala said that many of our imports are from China where there is no inflation sourced to utilities; instead China provides subsidies and low tariffs on utilities.

He said Pakistani industry would not be able to survive in that case especially those manufacturers whose market is mainly domestic. He said factories are already operating at below capacity and one of the major reasons for the high cost of doing business in Pakistan is high tariffs and raw material imports becoming more expensive due to the rupee depreciation.

https://fp.brecorder.com/2019/05/20190512472564/

TALKS WITH IMF TO CONTINUE OVER WEEKEND

Khaleeq Kiani Updated May 11, 2019

ISLAMABAD: Pakistan’s talks with the International Monetary Fund (IMF) on a bailout package remained inconclusive on Friday, dashing expectations that the government was ready to sign on the dotted line. In a late-night message, the finance ministry said only that “we have made good progress in our discussions with the visiting IMF mission. Consultations will continue over the weekend.”

The talks were originally planned for conclusion on Friday and the IMF mission had confirmed return flights to Washington DC late in the night. Those travel plans have presumably been modified.

Both the government team and the IMF staff mission remained evasive and unavailable to the waiting media persons on a day of hectic consultations as they were seen repeatedly coming in and out of the Q-Block, the seat of the ministry of finance and IMF’s resident mission.

An informed source said a steep monetary adjustment and fiscal realignments were the key sticking points holding back a final outcome and the IMF had not changed its stance since October last year.

Official spokesman Dr Najeeb Khaqan avoided all contact with reporters throughout Friday and did not take calls. Finance Secretary Muhammad Younas Dagha told journalists that the adviser (to the PM on finance) office was the right forum to comment on the IMF talks.

Final deal remains elusive despite marathon talks all day

A senior source said PM's adviser on finance Dr Abdul Hafeez Shaikh was trying his best to reach a consensus before markets reopen on Monday while avoiding haste in setting performance targets that may not last beyond a couple of quarterly reviews. "These are really serious matters and need serious approach," the source said.

There were also some reports that the visiting mission was taken to the PM office for an interaction with PM Imran Khan but finance ministry officials denied this. They said Dr Hafeez Shaikh and other officials met the prime minister but the IMF team did not accompany them.

IMF resident representative in Islamabad Teresa Daban Sanshez when reached late night to ask if talks had been concluded and with what outcome said "there is not planned any interaction with media during the IMF discussions (sic)". "No comment" was her repeated response while she moved past reporters in her numerous forays into and out of Q block, the building where the meetings went on all day. She did not respond if the mission was extending visit.

Informed sources said the IMF mission had taken an "unusually aggressive posture" this time not seen since late 1990s and wanted Pakistan to commit to an upfront adjustment plan along with 'deep-rooted' and wide-ranging structural reforms to secure the bailout.

This adjustment, according to the IMF, should be supported by major increases in electricity and gas rates and quick recovery plan for bleeding public-sector entities and explanations to some 'untouchable expenditures'. The combined adjustment over the next two years is estimated about 3.5pc of GDP including through energy sector circular debt capping plan.

The government is under pressure to include the full cost of imported LNG into the weighted average cost of natural gas and over Rs201bn recovery from power consumers immediately in addition to gas and electricity rates raised a couple of months ago by up to 30pc and 15pc, respectively.

The IMF wants the next year's tax revenues to expand significantly to close to Rs5.3tr from the target of about Rs4.4tr this year. Strengthening the central bank's autonomy in line with the international best practices, a market-based floating exchange rate and reduction in the debt ratio are some of the key areas of the framework that would become an integral part of the next year's budget.

Already facing criticism over rising inflation amid higher energy prices, the government's major concern was the political and economic costs of the painful programme. It can hardly afford to have public protests like those in some European countries. Therefore, it wanted to delay any further increase in electricity, gas and petroleum rates to ensure reasonable gaps.

The sources said the protracted engagements since September-October last year also showed an unusually difficult programme because of not-so-friendly geo-political situation as evident from a parallel challenge from Financial Action Task Force. A Pakistani team that may include Dr Hafeez Shaikh and Secretary Dagha to engage with FATF is expected to depart later next week.

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SENATORS SLAM GOVT FOR 'OUTSOURCING' ECONOMIC MANAGEMENT TO IMF

Iftikhar A. Khan Updated May 11, 2019

ISLAMABAD: The government came under fire in the Senate on Friday for what the opposition described as outsourcing the country's economic management to the International Monetary Fund (IMF).

Taking part in the discussion on an adjournment motion on the recent increase in the prices of petroleum products, Pakistan Peoples Party (PPP) leader Raza Rabbani said that the IMF was currently in the process of dictating the budget for the next financial year.

He likened the situation to an agreement signed by the then Mughal emperor with the East India Company following his defeat in 1765. He said the revenue officers had been replaced by the company's men who looted the subcontinent's wealth to take it to England. Mr Rabbani said Pakistan's economy appeared to have been handed over to the IMF in the same fashion.

He said the previous governments had also approached the IMF but the nature of agreements had never been like a sellout. He said it was obvious that the finance minister had been replaced by the IMF's man.

PM's adviser on finance criticised for putting Steel Mills on privatisation list

The PPP leader said a serving official of the IMF had been appointed governor of the State Bank of Pakistan. He said the appointment of the new FBR chairman was a clear case of conflict of interests as he would be dealing with the business houses he used to provide consultancy with as a partner in A.F. Ferguson.

Mr Rabbani said there were reports that the government would further increase gas and electricity tariff. He said it was also heard that the IMF was seeking withdrawal of Rs700 billion tax exemptions. He criticised the PM's adviser on finance for putting the Pakistan Steel Mills (PSM) on the list of entities the government wanted to privatise.

However, Minister for Parliamentary Affairs Azam Swati said the PSM was not being privatised. He said there was a plan for public-private partnership instead.

PPP parliamentary leader in the Senate Sherry Rehman said that after a change in the government's economic team, the IMF was talking to the IMF. She criticised the unprecedented price hike and said there were rumours about a possible imposition of petroleum development levy. She regretted that while the elite had been offered an amnesty scheme, a 'petrol bomb' had been dropped on the common people as a Ramazan gift.

Javed Abbasi of the Pakistan Muslim League-Nawaz in his speech said the government continued to drop bombs on the people contrary to the false claims made by it prior to the 2018 elections.

He said the increase in petroleum prices led to a surge in prices of all essential commodities. He said the government had enhanced gas tariff by 143 per cent, adding that prices of medicines had been increased by between 300 and 600pc.

The PML-N leader said now the IMF would impose its agenda under which subsidies would be withdrawn and more taxes would be levied.

Maulana Abdul Ghafoor Haidri of the Jamiat Ulema-i-Islam-Fazl criticised the government for its failure to fulfil the promises it had made to the people before the 2018 elections about breaking the begging bowl, bringing about an economic revolution that would attract foreigners to seek jobs in Pakistan and building five million houses.

On the contrary, he said, the government had bulldozed houses, thrown people out of job and increased prices of essential commodities.

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ECONOMIC POLICY HANDED OVER TO IMF: PPP

ZULFIQAR AHMAD | MAY 11TH, 2019 | ISLAMABAD

Former Chairman Senate Raza Rabbani of Pakistan People's Party on Friday said that past civilian governments never got the opportunity to formulate foreign and security policies, and now the economic policy of the country has also been snatched from civilians and handed over to the International Monetary Fund (IMF).

Speaking on a motion about recent increase in petroleum prices, he said that that the ongoing talk for a bailout package is in fact "between IMF and IMF and not between government of Pakistan and IMF." "The appointment of adviser to the prime minister on economy and governor State Bank of Pakistan (SBP), sitting IMF employees, shows who is running our economy…I've also heard that IMF is also giving dictation to government about the forthcoming financial budget for the 2019-20," he added.

"But this government not only changed its finance minister [Asad Umar] but also replaced him with an IMF man [Hafeez Shaikh] and then handpicked another sitting employee of IMF as SBP governor which is unprecedented," he said. "At present, there are two gaps in the economy of the country -the first one is that of the rupee, while other is of the dollar – the dollar gap is there because of excessive imports in comparison to the exports and the rupee gap is there due to government's excessive spending," he added.

About appointment of Shabbar Zaidi as new chairman of Federal Board of Revenue (FBR), he said that cabinet secretary has already informed the government that his nomination is being hit on two accounts – one, on a 2013 judgement of Islamabad High Court, and the other is on the question of conflict of interest – as Zaidi is a senior partner of AF Ferguson & Co and remained tax consultant of different business houses.

"To circumvent the IHC decision, the government took refuge under pro bono and said he [Zaidi] would work on honorary basis. A suit is pending before Sindh High Court which deals and pertains to liabilities of AF Ferguson & Co as a company and as an entity in payment of taxes. Is this now not going to be a conflict of interest?" he questioned.

Taking part in the debate, Senator Javed Abbasi of Pakistan Muslim League-Nawaz (PML-N) said that the government has thrown three "oil bombs" and the recent one was no less than a 'nuclear' one due to which price of everything has gone skyrocketing. He regretted that prices of gas were increased by 143 percent and some 3.4 million people were slapped with inflated gas bills, but despite commitment that over-billed consumers would be compensated accordingly, no one was given a single penny.

PPP Parliamentary Leader in Senate Senator Sherry Rehman questioned that the government is introducing tax amnesty schemes for the rich and inflationary packages for the poor. "Why have petrol prices gone up by 14 percent before May 1, the GST was 2 percent of the total petrol price, which was increased to a whopping 12 percent before Ramazan. This is the only Ramazan package the government has given. A horrifying third budget is on its way," she added.

She said that petrol is the backbone of any economy and rise in its price impacts every sector and every commodity, adding in Pakistan, the biggest user of petrol is the transport sector that consumes 48% while the price of a 50kg bag of urea has been increased by Rs 150. "All will be hit hard by this petrol price bomb. Transportation has become so expensive in Pakistan that food and public transport has come to a halt. In KP itself, the transport sector is warning of a wheel jam strike due to the increase in petrol prices," Rehman added.

Maulana Abdul Ghafoor Haideri of Jamiat Ulema-e-Islam-Fazl (JUI-F) said that half of the cabinet comprises 'turncoats'. The government has left people jobless in every sphere of life, he said, adding, the claim of building houses was proved after houses were razed out in the name of anti-encroachment drive. He called upon the opposition parties to play their due role in ousting the government as this is the voice of the people.

https://fp.brecorder.com/2019/05/20190511472259/

'IMF IS DEALING WITH IMF'

Peerzada Salman May 10, 2019

KARACHI: The International Monetary Fund (IMF) is dealing with the International Monetary Fund to decide the fate of this country. Things won't change until the people realise this and raise their voices. This was the concluding remark made by eminent economist Dr Kaiser Bengali in his keynote address at a consultation programme organised by Szabist and Piler to discuss the current economic policies of the government at the Arts Council of Pakistan on Thursday evening.

Dr Bengali said there were two gaps in the economy: the dollar gap and the rupee gap. The former has to do with the excess in imports in comparison to exports; the latter relates to the government's excessive spending. The dollar gap is huge, which is why we have gone to the IMF. The rupee gap exists because if you [the government] keep on increasing your expenditure and ask the FBR to collect revenue, it's not possible.

Dr Bengali said the gap between imports and exports was called trade deficit.

Solution to economic woes lies in cutting down on spending, says senior economist

"We are importing too much, and those responsible for it are [former prime minister] Shaukat Aziz and his team, which included Hafeez Sheikh, Ishrat Husain and Salman Shah."

Till 2003, for every 100-dollar export, we used to have imports worth $125 to $130, a deficit of $25 to $30. Today, the difference is of $125. You can't cover such a huge gap. Karkhaney [factories] are being closed. We have not diversified our exports. Two-thirds of our exports [are] textiles. The biggest issue is that of the imports. We have opened all the doors. Today we even have dog and cat food available at supermarkets. And this import/export gap is deliberate.

With regard to services deficit Dr Bengali said nijkari (privatisation) had enabled foreign companies to earn in rupees, convert their profit into dollars and send it abroad. The process speeded up so much that in 2009 the State Bank created a separate category in its data for it. "The state should be ashamed of itself that foreign companies fill water from our taps, put it into bottles, sell us the same water and send the profit in dollars abroad. The state can't even provide us with clean water." The same is the case with education. So, all [import] doors are open, he argued.

Speaking on the rupee deficit, Dr Bengali pointed out it did not matter who was chairman of the FBR. Everybody says that the FBR doesn't collect taxes. But this economy doesn't have enough gunjaish [capacity] to collect more taxes because the gap is big. It is true that tax has been evaded. But we are a country where two-thirds of tax comes from industries, and industries are being closed. Those who say that one per cent people pay their taxes are basically talking about direct taxes. Fifteen per cent taxes in Pakistan are direct and 85 per cent indirect which everyone pays. Those who talk about the agriculture tax should know that 80pc of kaashtkaar [farmers] in the country are small-time farmers, who are exempt from taxes. A total of 10pc come in the tax net.

Dr Bengali said the remedy lies in cutting down on spending, including on defence. At least 20pc needs to be cut down. There are 14 ministries, such as the ministry of national harmony, which we can do without. We have nine additional directors for the Post Office. [These things can be curtailed.]

Dr Bengali said: "We currently have a finance minister and governor State Bank who have come from abroad. Since 1993, we have had these 'fly in, fly out' consultants [Moin Qureshi, Shaukat Aziz, Hafeez Sheikh, etc]. The technocrats that don't have their roots in the people are there for the money." Our political governments don't have a say in foreign policy, and now they have very little say in the economy. The economy has been taken over by IMF and the World Bank. In the past Hafeez Sheikh didn't even pick chief minister Qaim Ali Shah's phone. Today IMF is dealing with IMF to decide about Pakistan's fate [qismat]. "Things won't change until we come out in the streets and raise our voices. Closed-door conversations wouldn't fetch anything."

Earlier, welcoming the guests Dr Riaz Shaikh said when abrupt changes occurred in government, he and like-minded people thought about what's going to happen to the country. They got in touch with Dr Bengali and decided to have a consultation meeting.

Zehra Khan and Karamat Ali also spoke.

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GOVT ASKED TO DISCLOSE IMF CONDITIONS FOR LOAN

Bureau Report May 09, 2019

PESHAWAR: Pakistan Peoples Party has asked the government to disclose the conditions of International Monetary Fund for giving loan and withdraw increase in prices of power and petroleum products.

Talking to office-bearers of party from different districts here on Wednesday, PPP provincial president Humayun Khan threatened to launch a public mobilisation campaign against the rulers. He said that foreign loans were not meant to snatch livelihood from the poor through imposition of new taxes and increase in prices of essential commodities.

He asked Prime Minister Imran Khan to admit that he was unable to run affairs of the country. He said that situation was going to be out of control due to price hike.

PPP threatens to launch campaign against rulers

The PPP leader said that the government lacked capability to run the country's affairs while it was also not allowing the opposition to share its experience with it resolution of the national issues. He said that government was using accountability against the opposition just to divert attention of people from its weaknesses.

He urged Imran Khan to stop using dictatorial attitude. He said that Imran Khan should treat all the people alike. He said that the repeated increase in prices of different commodities created serious unrest among the people so the government should disclose the IMF conditions for loan and its benefits to avoid public wrath.

The PPP leader said that people were waiting to get jobs and shelter as per the promise of Imran Khan. He added that the rulers would have to face the reaction of people very soon if they failed to fulfil the commitments.

He said that PPP would lead the people as it was the only political party that always supported the poor to raise voice for their rights and against the injustices. He paid tributes to former prime ministers Zulfikar Ali Bhutto and Benazir Bhutto for rendering sacrifices of lives in the larger pubic interest and strengthening of democratic institutions.

The PPP leader said that Bilawal Bhutto Zardari was capable to lead the nation as next prime minister as the party had capable people to devise policies for steering the country out of the economic crisis.

Mr Khan urged the PPP workers to step up their efforts for reorganisation of the party and persuading the disgruntled workers to become active and play effective role in the next elections, especially in the newly merged tribal districts.

The PPP leader said that applications had already been sought from the people, who wanted to contest the elections for provincial assembly seats in tribal districts.

"The party leadership would award tickets on the basis of merit where the workers would take all possible steps for success of the nominees," he said.

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PAK-IMF DEAL MAY BE ANNOUNCED TOMORROW

By Shahbaz Rana Published: May 9, 2019

ISLAMABAD.: The government and the International Monetary Fund (IMF) are likely to announce a staff-level agreement tomorrow (Friday) as the former has accepted most of the global lender's demands — earlier termed harsh — that will lead to the unfolding of an inflationary budget loaded with taxes on June 11.

Both sides will hold the last round of talks today (Thursday) in which the remaining issues of the fiscal deficit and primary balance will be finalised, sources in the Ministry of Finance told The Express Tribune.

They added that the country did not have any other option but to concede to the IMF's demands to remain afloat.

Pakistan and the IMF have started exchanging the proposed draft of the Memorandum of Economic and Financial Policies that will become the base for the three-year programme.

It is expected that the loan size will be equal to about 225% of Pakistan's quota or $6.5 billion.

The country already owes $5.8 billion to the IMF on account of previous loans. If all the issues are resolved by Thursday evening, Pakistan and the IMF will sign their 22nd programme on Friday.

"Unlike in the past, the IMF should finalise the loan programme keeping in mind the ground realities of Pakistan including the Pakistan Tehreek-e-Insaf's [PTI] representation in both houses of the parliament," said Senator Shibli Faraz, the leader of the house in the Senate.

Senator Faraz met IMF Mission Chief Ernesto Rigo along with three other legislators at the Parliament House.

They told the IMF official that the conditions set by the global lender for the new bailout package required new legislation and the PTI was not in a comfortable position to have these bills passed from both houses of the parliament.

The IMF mission chief highlighted the grave fiscal position of Pakistan and the privileges that various sectors enjoyed. The withdrawal of these tax concessions and privileges are among the conditions that Pakistan has accepted to secure the bailout package.

Where Pakistan is blamed for being a regular client of the IMF, there has also been criticism against the IMF for imposing conditions on the country that are not sustainable in the longer term. There are also apprehensions that because of the IMF's tough conditions, the country might not be able to complete the programme.

The sources said that during the last 10 days, IMF Resident Representative Teresa Daban remained persistent in her demand that Pakistan took all difficult measures upfront.

The mission chief at times appeared inclined to give certain concessions but Daban did not agree to that, the sources said.

It has also been decided that the budget for the next fiscal year would be announced on June 11 as the Federal Board of Revenue (FBR) has expressed its inability to prepare tax proposals by May 22, which was the earlier date set for the budget announcement.

The Ministry of Finance has sent a summary to the prime minister for approving June 11 as the new date for unveiling the budget, according to a senior official of the ministry.

It is expected that with the IMF's harsh conditions, the next budget will unleash a wave of inflation. The IMF has not budged from its demand that the government should impose heavy taxes equivalent to 1.7% of the GDP, the sources said.

The FBR had proposed that the new taxes should be equal to slightly 1% of the GDP and rest of the amount could be collected through enforcement measures. However, the proposal was turned down by the IMF.

The administrative affairs in the FBR have gone haywire during the past five days after Prime Minister Imran Khan announced the appointment of Shabbar Zaidi as the new chairman of the board.

The decision has not gone down well with the FBR's senior officials, who met Adviser to the PM on Establishment Shehzad Arbab.

The FBR officials conveyed their reservations against Zaidi's appointment during the meeting, including the conflict of interest that arose from the development. However, the officials were plainly told that it was the prerogative of the prime minister to appoint anybody as the FBR chairman.

The officials told the adviser that in the majority of corporate cases, Zaidi's firm, AF Ferguson, was in a dispute with the FBR. They also expressed their reservations over the government's continuous bashing of the tax machinery. They complained that the prime minister had not taken the FBR stakeholders into confidence before making the decision.

The outgoing chairman, Jehanzeb Khan, did not attend his office on Wednesday and spent his day at the Islamabad Club in his capacity of its administrator.

The outcome of the adviser's meeting with FBR members suggests that they will not observe a strike against Zaidi's appointment. Nevertheless, its officers will pursue a legal path by challenging the appointment in the Islamabad High Court (IHC) or the Sindh High Court, a senior FBR member told The Express Tribune.

Establishment Division Secretary Dr Ijaz Munir has already informed the federal cabinet that the decision to appoint Zaidi was tantamount to the contempt of the IHC. In a judgement in June 2013, the IHC had declared that the FBR chairman could not be appointed from the private sector without ensuring a competitive process.

The prime minister has made surprising decisions during the past three weeks, including removing finance minister Asad Umar and State Bank of Pakistan (SBP) governor Tariq Bajwa.

Umar accepted the chairmanship of the National Assembly Standing Committee on Finance on Wednesday after refusing to become the federal energy minister.

The prime minister has appointed Dr Reza Baqir, who until last week was the IMF's top man in Egypt, as the SBP governor.

The sources said the Pakistan-IMF talks received a major boost after Baqir joined the negotiations this week.

They said both sides reached an understanding on certain issues that remained unresolved during Bajwa's time.

Now it is expected that the central bank would ask the government to seek budget financing from commercial banks instead of heavily relying on the SBP. The government's borrowings from the central bank have already hit a record Rs7.4 trillion by the end of March.

The new SBP governor will also ensure that the central bank does not frequently intervene in the exchange rate market and the value of the rupee is determined by market forces instead of the federal government.

In future, the SBP's monetary policy stance will be to keep the real policy rate positive to anchor the inflationary expectations in a forward-looking manner. The central bank will continue to closely monitor the recent macroeconomic developments and their unfolding impacts on inflation, and will be ready to take further necessary actions if required.

As per the understanding with the IMF, over the medium-term, the SBP will gradually move towards a flexible inflation-targeting framework. In such a framework, more weight will be assigned to inflation as a nominal anchor without prejudice to growth.

The SBP will also eliminate existing exchange restrictions under Article VIII of the IMF's Articles of Agreement. The central bank will bring an end to foreign exchange restrictions on advance import payments against the letters of credit and other administrative measures taken in the recent months to contain pressures on the balance of payments.

The SBP will prepare a more detailed plan to achieve compliance of all banks that fall below the minimum capital adequacy ratio.

https://tribune.com.pk/story/1969008/2-pak-imf-deal-may-announced-tomorrow/

IMF CHIEF SAYS US-CHINA TENSIONS 'THREAT' TO WORLD ECONOMY

Madiha Shakeel May 7, 2019

PARIS: The head of the International Monetary Fund said Tuesday that fresh trade tensions between the United States and China were the main threat to the world economy.

"Clearly the tensions between the United States and China are the threat for the world economy," Christine Lagarde told journalists at a conference in Paris, adding that recent "rumours and tweets" made an agreement between the countries less likely.

President Donald Trump jolted global markets on Monday by threatening on Twitter that tariffs already imposed on $200 billion in Chinese exports to US would more than double to 25 percent on Friday from their current level of 10 percent.

Also speaking at the Paris Forum event, French Economy Minister Bruno Le Maire warned about the impact of a trade war between the world's two biggest economies.

"We are following the current negotiations very closely between China and the United Staters and we want them to respect the principals of transparency and multilateralism," he said.

He called on the two sides to "avoid taking decisions that would threaten and would undermine global growth in the months ahead."

"Increasing tariffs is always a dead-end and a negative decision for the whole world, for the United States, for China, for the eurozone, for Europe and world growth," he said.

China said Tuesday its top trade negotiator will visit the United States for talks with his American counterparts this week.

The countries have been locked in talks to resolve tensions that have seen both of them impose tariffs on goods worth $360 billion.

Treasury Secretary Steven Mnuchin has described the negotiations as 90 percent complete but told reporters that in recent days the talks went "substantially backward", which he blamed on China reneging on previous commitments.

https://www.brecorder.com/2019/05/07/495154/imf-chief-says-us-china-tensions-threat-to-world-economy/

ISLAMIC DEVELOPMENT BANK TO SUPPORT PAKISTAN IN ECONOMIC GROWTH, SOCIAL UPLIFT

By Our Correspondent Published: May 8, 2019

ISLAMABAD: Islamic Development Bank (IDB) President Dr Bander MH Hajjar has said that the IDB Group's relationship with Pakistan spanned over 40 years during which it supported sustainable and inclusive development in the country and it would continue to support Pakistan in economic growth and social uplift.

He was interacting with the business community at a dinner hosted by the Islamabad Chamber of Commerce and Industry (ICCI) on Monday evening. Hajjar revealed that the IDB wanted to support Pakistan in the areas of science, technology, innovation, value chains, economic empowerment and public-private partnership in order to contribute to implementation of a road map launched recently by the government of Pakistan.

He also shared with the business community a new development model set out in his new book "The Road to the SDGs: A New Business Model for a Fast-Changing World", which was launched at the 2019 IsDBG Annual Meeting.

Speaking on the occasion, ICCI President Ahmed Hassan Moughal pointed out that the IDB Group had provided total financing of $12.43 billion for various development projects in Pakistan, which showed its crucial role in the country's economy.

He said the IDB Group was financing some key projects in Pakistan like Neelum-Jhelum hydroelectric power project, Jamshoro power station and Casa-1,000 project, which would improve the energy situation and meet energy needs of the industry, leading to better industrialisation and promotion of investment in the country.

Meanwhile, a delegation of the IDB Group discussed financing needs of the local business community in various projects, which would expand their businesses and further strengthen the small and medium enterprise (SME) sector.

Representatives of the Islamic Corporation for the Development of Private Sector (ICD), International Islamic Trade Finance Corporation (ITFC), Islamic Corporation for Insurance and Export Credit (ICIEC) and Islamic Research and Training Institute (IRTI) were in the delegation. The delegation expressed interest in setting up a joint fund with the ICCI for supporting SMEs and innovators in business development and growth.

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PAKISTAN DOESN’T NEED ADDITIONAL TAXES TO COVER REVENUE SHORTFALL: WB

Amin Ahmed Updated May 06, 2019

ISLAMABAD: Pakistan has substantial potential to increase tax receipts without imposing new taxes or increasing their rates. The country’s tax revenue potential would reach 26 per cent of GDP, if tax compliance were to be raised to 75 per cent, which is a realistic level of compliance for lower middle income countries. This means that Pakistan’s tax authorities are currently capturing only half of this revenue potential — the gap between actual and potential receipts is 50 per cent, according to a new document prepared by the World Bank titled Pakistan Revenue Mobilisation Project, published recently.

This comes against the backdrop of revenue shortfall which the government has sought to diminish with the Washington-based lender’s assistance of $400 million for the revenue mobilisation project to be implemented by the Federal Board of Revenue (FBR) aiming to contribute to a sustainable increase in domestic revenue by broadening the tax base and facilitating compliance. The credit of $400m will come from World Bank affiliate, International Development Association (IDA).

However, the FBR has internal challenges which it needs to overcome as it has a negative impact on tax receipts. According to the project document, unlike most revenue authorities in the world, the FBR is not organised along functional lines, nor does it have a clear hierarchical structure. FBR is a large organisation with a nationwide presence and more than 21,000 staff, of whom about two thirds work for the Inland Revenue Service (IRS) and one third for the Pakistan Customs.

FBR has developed transformation roadmap which envisions it as semi-autonomous body

Also, lack of coordination between the federal and provincial governments has a negative impact on total tax receipts, as well as complicating taxpayer compliance. The different rules applied by the federation and the provinces generate frequent disputes, especially over input adjustments for GST taxpayers.

The document says that Pakistan needs to increase its tax revenues to ensure fiscal sustainability and generate fiscal space to finance much needed investments in human capital and infrastructure.

The project document also highlights the share of tax revenue collected by the provinces remains small at nine per cent of total receipts but has been growing rapidly, from 0.4 per cent of GDP in 2010-11 to 1.2 per cent in 2017-18. Despite this progress, tax receipts still fall short of 15 per cent of GDP, which is the minimum that international experts consider adequate to cover the basic expenditure needs of developing countries, it says.

Nevertheless, the country's revenue performance has improved significantly in recent years, rising from 9.5 per cent of GDP in 2011-13 to 13 per cent in 2017-18. This increase in tax revenues has resulted from tax policy measures, notably reduction in tax exemptions for specific industries, and improvements in tax administration at the federal and provincial levels.

The current government is quite keen to increase tax revenues and improve performance of the FBR which has, according to the policy document, developed a transformation roadmap which envisions that the FBR would become a semi-autonomous revenue authority with financial, managerial and operational autonomy.

This would involve a degree of financial and managerial autonomy from the regular controls and procedures of the federal government.

Key changes would include security of tenure for the FBR chairman for a fixed mandate, a financing formula whereby the FBR's budget would be fixed as a share of previous year's receipts — one per cent and flexibility to use its budget across budget lines as needed.

The proposed project will support the implementation of the FBR's roadmap over the next five years. The roadmap consists of three parts: a ten-year vision for the FBR's institutional transformation, three-year dynamic implementation plan (1920-22) to be updated annually and short-term action plan for accelerating revenue collection in 2019.

The roadmap also highlights measures to strengthen the technical expertise and improve the performance of the FBR's human resources. Technical expertise will be strengthened by establishing technical streams for core tax administration functions for career FBR officials and by externally hiring specialised staff for procurement, human resources, and communications.

The project will support key initiatives and targeted results under the FBR's transformation roadmap. The project's interventions therefore focus on equipping the FBR with the needed ICT tools and technical skills to make effective use of taxpayer information using big data techniques and modern risk-based tools for more efficient, targeted compliance control and enforcement.

FBR has already launched several initiatives under the roadmap including new payment options for taxpayers and ongoing review of tax laws and regulations to simplify and make them more accessible to taxpayers.

Published in Dawn, May 6th, 2019

https://www.dawn.com/news/1480560/pakistan-doesnt-need-additional-taxes-to-cover-revenue-shortfall-wb

NEWS COVERAGE PERIOD FROM MAY 13TH TO MAY 19TH 2019

WORLD BANK TO HELP KP GOVT BOOST REVENUE COLLECTION

The Newspaper's Reporter Updated May 19, 2019

ISLAMABAD: The World Bank will help the Khyber Pakhtunkhwa government prepare a programme to increase provincial tax collection and improve the management of public resources.

The project, for which the International Development Association (IDA) will provide a credit of $100 million, will fund expenditures of the main government entities responsible for implementing the Public Financial Management (PFM) reform strategy for the period 2017-20.

The overall objective of putting in place a robust PFM system is to ensure financial compliance, facilitate prioritisation amongst competing claims on scarce resources, encourage efficient delivery of public services and achieve the ultimate goal of efficient, effective and accountable use of public resources.

The 'Khyber Pakhtunkhwa Revenue Mobilisation and Public Resource Manage-ment' project will use the 'Programme for Results' (PforR) financing instrument which will support the implementation of the KP government's PFM reform strategy.

The proposed project will seek an increase in KP government's own source revenue both tax and non-tax through expanding the tax base without imposing new taxes or raising tax rates.

A World Bank document related to the project says it will help improve the management of public resources, notably budget funds and dedicated funds such as the province's pension fund and hydel development fund.

Where relevant, the project will need to include the new districts of former Fata and local government bodies as constituted in the interventions and results sought. It will result in much desired increased fiscal space to improve service delivery across the province.

Published in Dawn, May 19th, 2019

https://www.dawn.com/news/1483166/world-bank-to-help-kp-govt-boost-revenue-collection

COMMON MAN AND LATEST IMF TSUNAMI

Senator Rehman Malik May 19, 2019

It was the dream of the government to get the IMF loan at any cost & come what way.

All commitments to not to beg, but yet the government begged on their toes from the IMF and finally submitted to IMF and IMF wins the final round. Congratulations for allowing the tsunami of IMF unhindered to engulf the poor masses of Pakistan. This IMF dictated package to start giving sleepless nights as more growing price hike will now become a nightmare for the poor masses.

Pakistan is suffering in the hands of Peer-o-Cracy, half baked – dem-o-cracy and worst derailing Economic – cracy. We as nation love to work on ad hoc and day to day working instead of long term planning and solutions. Our system has failed to provide relief to a common man.

We spoil things then expect such things will be rectified through orthodox approach. We claim to have democracy but in reality the government does not take the issues of national importance to the Parliament. Where are our democratic norms?

None of the above system is helping the country rather we are seeing a theatre of blame games where we are playing with dirty blame games, also the powerful mafias and syndicates are controlling the black economy which is much bigger than the declared documented economy. I should say that this black money mafia is a parallel govt who gets the prominent appointments with dreadful and black influence.

In fact the IMF deal was already done as the indicators of depleting rupee and new taxes were the part of the conditions. The new economic team was brought-in to materialise the IMF and convert it into the form of an agreement for further mortgaging the nation. The deal of further mortgaging of national assets is done and so we must be ready for additional burden.

This deal coupled with other economic parameters suggests that the price hike will be like a bigger tsunami which will bring bigger monster of price hike and thanks to IMF lovers in Pakistan.

The public was expecting that the government would not increase the price of petrol as almost every cabinet member had denied any further increase in petroleum prices. It is fortunate to note that despite constant denials at all levels the price was increased at the cost of the peace of mind and happiness of a common man.

The price of petrol was increased by Rs9/- before the open IMF deal but it is said that it was also part of the covert deal with IMF. This increase will leave accumulative effects to escalate more price hike and people will come under more economic pressure.

The condition of the IMF to increase the oil prices was met and is further dreadful to note that the inflation in Pakistan has now reached to 9.41% from 8.82% in March only; the highest in last 5 years. Why it happened, obviously the government allowed it to go higher as the controlling parameters were allowed to behave freely and additional printing of currency notes and more internal and external loans attributed in the increase inflation

The common man has been further burned with massive price hikes in all commonly used items across the country during Ramazan. Instead of keeping a strict check and balance on vendors to ensure they are following a set price list, the government itself is involved in making the lives of people miserable by increasing the price of every item every now and then.

A view on the common italics are that meat sellers increased prices by Rs20 -50 per kg, mutton dealers have increased prices to Rs1050 /- from Rs950 /-, boneless meat is now being sold at Rs620 – 640 from Rs600/- per kg, chicken dealers are charging as high as Rs380 – 390 per kg, whereas in the last week of March, the chicken meat was being sold between Rs310 – 320 per kg. It is a picture of one item being consumed by the public.

Among non-perishable items, flour prices have been raised twice. Sugar prices have also risen to Rs70/- per kg from Rs65/- per kg. On the other hand, among vegetables, prices of onion have been increased.

Oil and ghee manufacturers also did not hesitate to increase the price of good quality cooking oil and ghee to Rs200/- per liter, after a jump of Rs20, as two months back it was being sold at Rs180 per liter.

Recently the government threw another inflation bomb on people by increasing the price of petroleum once again as a 12% increase in the price of petrol and 17% increase in diesel, light diesel and furnace oil has been announced. It seems as if the government is playing with the sentiments of people by first relaxing them with false hopes of no petroleum price hike and then actually making an increase over night. Petrol now costs Rs108 per liter and diesel costs Rs122.32 per liter.

It is unfortunate to note that this is still not the end of story as Pakistan is yet to deal with a fiscal budget 2019 ahead in few days and further taxes and price hikes will bring more burden on the economy as indirect and direct taxes are expected to be imposed.

The post budget situation is going to be worst for a common man.

The budget deficit is another dangerous factor and how will the government be able to narrow down the deficit of 38 Kharab (i.e. 3.8 trillion) and at the same time how the govt will be able to do debt servicing.

The present Increase in Oil prices, decline in exports, rise in imports, increased price of utilities, debt servicing in the form of interest and repayments, increased taxes and duties etc. are the biggest challenges for the government. Apparently the government has neither shared such a plan before the Parliament nor before the public.

The only thing which has come true is that our begging bowl has been partly filled at the expense of the common man. The IMF is heartless and works with an agenda and that agenda should have been known to the government.

Moreover, the most alarming thing to note is that this new budget of 2019-20 will be made in the light of the IMF programme rather duly dictated by the IMF.

We are heading towards the inclusions of Pakistan in the list of poor and underfed countries known for their poverty and perhaps their economies are better than Pakistan as they have at least improved their governance. Our economy has gone even worse than Maldives now.

We have been advocating in the world that we are not the money launderers but at the same time we now have indemnity as state to allow whitening of the black money as state money. This state policy is going to damage the reputation of our countering in the international economic forums.

I pray to Almighty Allah to guide our economy handlers to follow the correct path to pull the country out of the present economic crises. The dependence of IMF is driving us gradually towards bankruptcy unless we act wise to avert it.

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https://www.thenews.com.pk/print/473152-common-man-and-latest-imf-tsunami

WORLD BANK TO EXTEND RS 32.2 BILLION FOR 'CLICK' PROJECT

TANVEER AHMED | MAY 18TH, 2019 | KARACHI

The World Bank will extend Rs 32.2 billion for "Competitive & Livable City of Karachi (CLICK)" project to transform the metropolis into a livable, inclusive and competitive mega city. According to the official documents of the project, the total cost of the project comes to around Rs 33.600 billion, in which Government of Sindh will contribute Rs 1.4 billion, which is approximately five percent of the cost of the project.

Three Project Management Units will be established in three departments of government of Sindh ie, Local Government Department (LGD), Excise & Taxation Department (E&TD), and Sindh Investment Department (SID) which will manage, coordinate project activities, and will be responsible for project implementation in their respective domain.

Each PMU will be headed by a Project Director assisted by Technical and supporting staff. An Inter-departmental Steering Committee under the chairmanship of Planning & Development Board (P&D) of Sindh's head will be established.

The Committee will oversight project implementations, ensure sustainability, facilitate inter-agency coordination, resolve dispute, approve policies and regulation, etc. Karachi having the population of 16 million contributes 15 percent of national GDP, largest share of national tax revenues, industrial employment, manufacturing and high-end services.

City is listed among the five least livable cities in the world, ranked 137 out of 140. There are four interlinked constraints which are impacting the city's livability and competitiveness: (a) Very low institutional capacity due to institutional fragmentation, nascent systems, and unclear and overlapping responsibilities; (b) Poor and declining basic service delivery; (c) limited financing for the city and inadequate capital investment due to poor own-source revenue (OSR) generation; and (d) Onerous and opaque business environment constraining private sector investment and operations.

The project is offshoot of Karachi Transformation Strategy (KTS) and is expected to long-term engagement of WB in Karachi to address the structure development needs of the city and is aimed at competitiveness and livability of Karachi.

The project will also support provincial government's agenda to turn Karachi into a more livable, inclusive and competitive mega city and address its several constraints in an incremental and systematic manner, through a long-term engagement platform for the city given the scale and complexity of its challenges.

The specific objectives of the project are to improve the performance of Karachi Local Councils and agencies in urban management, financing and service delivery and to improve the business environment for private sector development in Karachi. The project will transform Karachi into creative, eco-friendly sustainable cities through improved city governance, effective urban planning effective local mobility infrastructure and better security to make urbanization. Project has been scheduled to be implemented in five years time by initiating the work on it from 1st July 2019 to conclude it by 30th June, 2024.

https://fp.brecorder.com/2019/05/20190518476263/

OPPOSITION BLASTS GOVT FOR SECRECY OVER IMF AGREEMENT

Iftikhar A. Khan Updated May 17, 2019

Marriyum Aurangzeb, the PML-N's information secretary, lambasted the government for keeping the deal with the International Monetary Fund secret and for not taking even parliament into confidence. — AP/File

ISLAMABAD: The opposition roasted the government for "surpassing records of failure set by itself" after the US dollar touched an all-time high on Thursday.

Marriyum Aurangzeb, the PML-N's information secretary, lambasted the government for keeping the deal with the International Monetary Fund secret and for not taking even parliament into confidence.

She said the "worst-ever" devaluation of the rupee was the result of a "successful agreement between IMF and IMF".

She said the cost of living had gone up three times since the Pakistan Tehreek-i-Insaf came to power, while the growth rate had consistently gone down. At the same time, she added, over 800,000 people had lost their jobs.

The PML-N leader said the government had obtained loans of Rs3.6 trillion so far, adding a burden of Rs16 billion per day to the exchequer.

Senator Sherry Rehman, the PPP's parliamentary leader in Senate, observed that "a new wave of price spiral is about to engulf the nation" as the government had enslaved itself "without any filter" to the IMF.

"Up next is a 15 per cent hike in power tariff, which will have a knock-on effect across multiple sectors," Sherry Rehman said.

To make matters worse, she added, the PTI-led government had already raised electricity tariffs by 33 per cent since taking charge.

The PPP leader said that despite its poor performance, the government kept parroting "awam ne ghabrana nahi hai" (people should not worry).

"Experts are of the view that the dollar will further strengthen against the rupee. The rupee has remained wobbly since the PTI came to power and even before this week's plunge, it had shed 25 per cent of its value against the dollar.

"Unfortunately this is the second time that the dollar has risen so massively against the rupee. The latest spike has raised foreign debt by Rs 666 billion. The government has been unable to bring comfort to any section of society, except banks and moneychangers," Sherry Rehman observed.

"Ironically enough, the plunge in the rupee's value has come one day after the PM set up a committee to control devaluation. Even though the dollar is in short supply, the government has not cracked down on exchange companies which are probably hoarding dollars," the PPP senator added.

She said the agreement with the IMF had proposed the formation of an "independent body" to determine the rupee rate.

"Why is the body bypassing the central bank. Whose interests do such bodies protect," Ms Rehman wondered.

She took a potshot at the government for appointing an IMF employee as State Bank governor. "The State Bank now is, well, the IMF. Let's hope that the new head will protect Pakistan's interests and not those of his last employer."

Senator Mustafa Nawaz Khokhar, the spokesman for PPP chairman Bilawal Bhutto-Zardari, said it had been proved now that the government of Prime Minister Imran Khan did not have any vision for the nation and the IMF was running the economy.

"Dollar is on the rise on a daily basis and the government is watching helplessly. The stock market is on a freefall and losing several billions of rupees every day," Mr Khokhar said.

He wondered why the government was being so tight-lipped about the agreement and whether it was "answerable to the people of Pakistan or to the IMF".

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https://www.dawn.com/news/1482819/opposition-blasts-govt-for-secrecy-over-imf-agreement

IMF PROGRAMME: THE JOURNEY HAS JUST BEGUN

WAQAR MASOOD KHAN | MAY 17TH, 2019 | ARTICLE

The Fund program has finally been negotiated. However, it is only a milestone in the tortuous road to success. What would it take to successfully traverse the distance? We would reflect on this question. Getting a program is not a guarantee for its successful conclusion. Pakistan doesn't have an enviable record of completing the programs.

In the 1990s, we had earned the infamous distinction of being a 'single tranche country'. Most of the programs during that period didn't survive beyond a couple of reviews. In 2000 and 2003, both programs met with near success. In 2008, we returned to the old habits and only 4 reviews were completed. The last program 2013-16 is the solitary example of successful completion.

What would it take to sail through the 39-month and twelve reviews under the program? A relentless focus and continuing belief that going off track is not an option. Would it be possible for the government to display such determination on a consistent basis? We discuss this aspect in the context of the dangers that typically surround the working of the program.

At the outset, we are a bit surprised that the program was not accompanied with the euphoria that is normally witnessed on the occasion. The announcement of the program was not arranged through a press conference. The Advisor Finance gave a short interview to the PTV where he announced the successful conclusion of the staff level agreement. The IMF issued its standard press release from Washington. Both of them were economical in giving away the details of the understanding reached under the program.

The markets initially reacted positively but soon gave way to continuing dejection as there was scarcely little in these announcements to cheer about. Pakistan Stock Exchange shed more than 800 points or 2.5%. The exchange rate was stable in the beginning but then a rupee was lost during the day. The following day the market losses were contained but rupee remained unstable. On Wednesday, the market showed some gains but rupee lost another two-three rupees and was generally reported to in short supply, an indication of uncertainty that continued to grip the forex market. In a surprise move, the Prime Minister held a meeting with forex dealers who were warned of consequences if they took advantage of market conditions. A band of Rs.143-44 was agreed for exchange rate in the open market. Shockingly, the following day, the inter-bank market, which so far was stable, should major sliding as on some trades as much as Rs.6 were lost. This development has raised many doubts regarding coordinated action on economic front.

Clearly, there is continuing communication gap between the economic managers and the market. Without having the information about the contents of the program, analysts, media anchors and talk-show participants were free to read their own meanings in the press release; some claimed access to classified information. Much of it was not a favorable discourse regarding the efficacy of the program.

This is not a good start for the program. Even such trivial information as to when the prior actions would be completed, when the program would be taken to the IMF Board and whether a sizable disbursement would be made upfront were missing. The modest amount of support of $6 billion was also a surprise. This is the reason why the announcement has not generated confidence and failed to remove uncertainty immediately.

Having said that, we are of the view that IMF program is a major event that the economy was in need of for more than a year and therefore should be welcomed. It has the potential to transform the sagging fortunes of country's economy. Based on the limited information available, some commentators have expressed reservations on the quality of the program. This is a premature assessment and not based on sound information.

It is necessary that the program is implemented in earnest. Economic dynamics of any economy are unpredictable. Even a faithful implementation of the program is not a guarantee that the turbulence in the economy would be corrected immediately. Mercifully, the conditions obtaining in Pakistan are not as challenging as those faced by Egypt or Argentina, yet in country's history we have not faced as grave challenges as we are facing today. Under the circumstances, the program would be tough but it would face two distinct dangers. First, we may fall short on implementation and, second, the economy may not rebound as quickly as one would hope.

The first danger can be averted by government's commitment in implementation that we have underlined above. The second danger would be averted as soon as we restore the trust of markets and people. The Prime Minister and his team have to defend the program and garner people's support behind it. Efforts should also be made to forge a bipartisan consensus on the necessity and utility of the program. Economic managers should reach out to business and markets to shore up their support and confidence.

The details of the program would unfold on three occasions. First, in the forthcoming monetary policy committee meeting toward the end of May. Any action on the policy rate would be taken to be a prior action. Markets are wary that despite a significant positive real interest rate, the Fund may have asked for further adjustment on account of forward looking policy and arguing that there is plenty of inflation in the pipeline. This should be minimized; a 200-pbs adjustment, as rumored, would not be welcomed.

Second, the announcement of the budget around second of June would have the most of actions particularly on account of taxation. People are building expectations and various estimates are taking rounds. That this would be sizable, is understood. How distortionary would it be remains to be seen. Measures based on removal of exemptions and broadening the base would be welcomed whereas increase in tax rates would be painful. Measures on expenditure rationalization and adjustment in utility prices would also be unveiled around that time. Fiscal adjustment to bring down primary deficit to 0.6% of GDP would be the main requirement.

Finally, the exchange rate adjustment is a slightly complex enterprise. If the program has admitted that some upfront adjustment is required, it would be accomplished in the context of market purchases of FX by the central bank. However, the volatility witnessed in the last two days will not be helpful in bringing stability in the market.

It is in this backdrop that we see some evolving difficulties the Government is facing in implementing the program. Tentativeness and diffidence would not inspire market confidence and remove uncertainty. Only clarity, focus and relentless determination to succeed would make the difference.

(The writer is former finance secretary)

https://fp.brecorder.com/2019/05/20190517475883/

ASAD TO EXPLAIN HOW HIS IMF TERMS DIFFERED FROM THOSE AGREED UPON

The Newspaper's Staff Reporter Updated May 14, 2019

ISLAMABAD: Former finance minister Asad Umar said on Monday he would speak next week to explain the difference between the terms and conditions he had negotiated with the International Monetary Fund (IMF) for a bailout package and those accepted by the new economic team of the government.

This he said after being unanimously elected chairman of the National Assembly's Standing Committee on Finance and Economic Affairs. He called the next meeting of the committee on May 22 to seek briefing from the Ministry of Finance on two of the most burning issues — a bailout package from the IMF and an update on compliance with the Financial Action Task Force (FATF).

He said it was the right of the parliamentary committee to be briefed on the IMF programme, adding that as finance minister it was his commitment to placing all details of the Fund programme before the standing committee. He said he had repeatedly stated that he would not comment on the IMF programme during the course of negotiations but make full disclosure once the deal was signed.

He said that once details of the agreement with the IMF were made public, he would also share with the committee what was the difference between the terms and conditions negotiated by him and what were accepted by the new team.

Former finance minister unanimously elected chairman of NA Standing Committee on Finance, Revenue and Economic Affairs

Mr Umar said he was on record stating that agreement with the IMF must be brought before the committee and decided to convene the first meeting as chairman of the committee on the IMF and FATF as both the matters were of critical importance to the country.

Earlier, the committee unanimously elected Mr Umar as new chairman of the standing committee on finance replacing PTI MNA Faizullah. Many members who briefly spoke on the occasion said they expected Mr Umar to strengthen the committee and make it more effective and hold bureaucracy answerable.

The meeting was told that Mr Faizullah chaired 15 meetings and took up various issues of national importance.

PPP's Nafisa Shah and Hina Rabbani Khar asked the new chairman to let the committee know whether the terms and conditions discussed by him (Mr Umar) were harsh or those agreed upon by the present economic team.

The special secretary of the National Assembly Secretariat welcomed the members and briefed them on the procedure for election of the chairman and requested Syed Naveed Qamar to propose the name of the next chairman. Mr Qamar proposed the name of Mr Umar as chairman of the committee, while Sardar Nasrullah Khan Dreshak seconded his candidature. Thus, Mr Umar was unanimously elected chairman of the Standing Committee on Finance, Revenue and Economic Affairs.

The special secretary congratulated the newly elected chairman on behalf of the speaker and secretary of the National Assembly and assured him of full support from the secretariat for effective and efficient functioning of the committee.

Mr Umar expressed his gratitude to the members for posing confidence in him and assured them that he would run the business of the committee with consensus. The members appreciated views of the chairman and assured him of their fullest support in running its business and process of legislation.

The meeting was attended by MNAs Raza Nasrullah, Faiz Ullah, Makhdoom Syed Samiul Hassan Gillani, Sardar Nasrullah Khan Dreshak, Faheem Khan, Aftab Hussain Siddique, Mohammad Israr Tareen, Ali Pervaiz, Dr Aisha Ghaus Pasha, Nafisa Shah, Syed Naveed Qamar and Hina Rabbani Khar, besides senior officers of the National Assembly Secretariat.

Published in Dawn, May 14th, 2019

https://www.dawn.com/news/1482183/asad-to-explain-how-his-imf-terms-differed-from-those-agreed-upon

$6BN IMF BAILOUT PACKAGE FOR PAKISTAN FINALISED

Khaleeq Kiani Updated May 13, 2019

Govt agrees to increase energy prices, generate more taxes and allow independence to State Bank

• Hafeez says IMF facility will help revive flow of $2-3 billion from World Bank, ADB

ISLAMABAD: Loaded with upfront policy actions worth over Rs700 billion, Pakistan and the International Monetary Fund (IMF) finally reached a staff level agreement on Sunday about a $6bn bailout to implement an "ambitious structural reform agenda" over a period of 39 months.

“After negotiations over many months, Pakistan and the IMF have reached a staff level agreement that would be approved by the IMF executive board,” announced Dr Abdul Hafeez Shaikh, the Prime Minister’s adviser on Finance and Revenue, on national television.

This was simultaneously confirmed by the IMF in a statement that linked the agreement to “timely implementation of prior actions”.

The IMF said the “forthcoming budget for FY2019-20 is a first critical step in the authorities’ fiscal strategy” that will aim for a primary deficit of 0.6pc of GDP supported by tax policy revenue mobilisation measures to eliminate exemptions, curtail special treatments and improve tax administration.

That would mean the government would have to generate additional revenues of about Rs600bn (1.3pc of GDP) so that primary deficit comes down from 1.9pc at present to 0.6pc of GDP.

The successful conclusion of an agreement on the Extended Fund Facility (EFF) is expected to clear the uncertainty prevailing in the markets and to revive investor confidence.

Under the programme, the government agreed to increase energy prices, generate more taxes, introduce a market determined exchange rate, allow full operational independence to the State Bank and focus on inflation instead of growth.

The provinces will have to create more cash surpluses to support the federal government’s fiscal stability.

A government official told Dawn that in the first year beginning on July 1, Pakistan will have to generate additional tax revenues of about Rs600bn, raise about Rs100bn from higher-end power consumers, privatise at least two power LNG plants worth over Rs280bn ($2b) and stop haemorrhaging of other public sector entities. These three big agenda items would provide about Rs1 trillion fiscal adjustment during the first year, including a one-time recovery of about Rs280bn from sale of two LNG plants in Punjab.

Energy Minister Omar Ayub Khan told Dawn that Rs98bn additional cost of power would be recovered from consumers at a rate of under Re1 per unit increase in tariff for consumers using more than 300 units per month. He said the government took a firm stand to protect low-end consumers using less than 300 units per month for whom an additional subsidy of Rs52bn would be earmarked in the budget, raising the total power sector subsidy to Rs216bn.

He said the flow of circular debt would be brought down to zero by Dec 31, 2020 while the existing stock of about Rs606bn would be reduced through sale of two LNG power plants and issuance of more bonds.

Dr Shaikh said IMF programme would also help revive flow of $2-3bn per annum from the World Bank and the Asian Development Bank, improve Pakistan’s debt situation and sending a positive signal to world markets.

Under the programme, Pakistan will have to adjust its expenditure in keeping with its capacity, put an end to continuous bleeding of public sector enterprises, reduce subsidies to the rich, generate more taxes from the affluent. “All these things are in the country’s interest and should be done with or without an IMF programme,” Dr Shaikh said.

The adviser said the government would have to implement long overdue structural reforms to put the country on a stable path of growth and prosperity and give a message of fiscal discipline to the world. He agreed that the package would have some costs and prices of some items would have to be improved in a manner that minimum burden reached the people.

For example, he said energy rates would have to be pushed up, but it had been ensured that 75 percent consumers who use under 300 units per month remained unaffected. An additional subsidy would be provided in the budget to this end.

Likewise, social safety nets under schemes like the Benazir Income Support Programme and Ehsas would be improved.

The IMF said the staff level agreement on economic policies supported by a 39-month $6bn EFF was "subject to IMF management approval and to approval by the Executive Board, subject to the timely implementation of prior actions and confirmation of international partners' financial commitments".

It said the programme will support the authorities' strategy for stronger and more inclusive growth by reducing domestic and external imbalances, removing impediments to growth, increasing transparency, and strengthening social spending. "An ambitious structural reform agenda will supplement economic policies to rekindle economic growth and improve living standards", the IMF said but warned that financing support from Pakistan's international partners will be critical to support the authorities' adjustment efforts and ensure that the medium-term programme objectives can be achieved.

"Decisive policies and reforms, together with significant external financing are necessary to reduce vulnerabilities faster, increase confidence, and put the economy back on a sustainable growth path, with stronger private sector activity and job creation", the IMF said.

A comprehensive plan for cost-recovery in the energy sectors and state-owned enterprises will help eliminate or reduce the quasi-fiscal deficit that drains scarce government resources. "Provinces are committed to contribute to these efforts by better aligning their fiscal objectives with those of the federal government".

"An ambitious structural reform agenda will supplement economic policies to rekindle economic growth and improve living standards. Priority areas include improving the management of public enterprises, strengthening institutions and governance, continuing anti-money laundering and combating the financing of terrorism efforts, creating a more favorable business environment, and facilitating trade. To improve fiscal management the authorities will engage provincial governments on exploring options to rebalance current arrangements in the context of the forthcoming National Financial Commission", the IMF said.

Published in Dawn, May 13th, 2019

https://www.dawn.com/news/1482003/6bn-imf-bailout-package-for-pakistan-finalised

NEWS COVERAGE PERIOD FROM MAY 20 TO MAY 26th 2019

IMF DEAL CANNOT BE MADE PUBLIC FOR NOW: HAFEEZ

ZAHEER ABBASI & MUSHTAQ GHUMMAN | MAY 26TH, 2019 | ISLAMABAD

Advisor to Prime Minister on Finance Dr Abdul Hafeez Shaikh stated that the agreement with the International Monetary Fund (IMF) cannot be made public till the approval from its board which is expected within a couple of weeks.

Addressing a press conference along with Chairman Federal Board of Revenue (FBR) Shabbar Zaidi, Minister for Planning, Development and Reforms Khusro Bakhtyar, Minister of State for Revenue Hammad Azhar, and Minister for Power Umer Ayub the advisor said signing on the IMF programme will send a good signal worldwide that Pakistan is managing its economy in a disciplinary fashion.

The Advisor hinted at more taxes and stated that revenue collection would be increased to Rs 5,550 billion in the next fiscal year, around Rs 1,500 billion higher from projected tax collection of Rs 4,000 billion for this year.

Dr Hafeez Sheikh took only three questions – one from a stringer working for a foreign newspaper and two questions from the same local media group.

Responding to a question about cut in defence budget, the advisor said that Pakistan is living in a difficult region with security concerns at our borders and whatever sacrifices would be required would be made for 'our sovereignty and dignity'.

The advisor highlighted the broad contours of next fiscal year's budget: austerity, control of electricity losses and revenue increase adding if the people do not pay taxes, the country would be unable to fulfil external debt obligations. "We will give chairman FBR a revenue target of Rs 5,550 billion for the next fiscal year," he said adding that if the rich will not pay taxes, the country will not be able to meet its foreign obligations.

The advisor said that the government's data reflects that there are only 2 million tax payers in the country and 80 percent revenue collection in the total revenue is contributed by 360 companies and the remaining 20 percent is mobilised from 2 million taxpayers.

The advisor said that out of 341,000 industrial connections, only 40,000 are registered for sales tax and 300,000 are not paying taxes. "We will go after them," he said, and added that there are five million bank account holders in the country while only 400,000 bank account holders are tax payers.

The advisor said that inflation and unemployment are major challenges for the government and the government has taken measures to protect the weak segments of society. He said that exchange rate and oil prices are major sources of inflation and the government has no control over oil prices but it has decided to allocate Rs 216 billion for power subsidy in the budget for next fiscal year to consumers using below 300 units per month.

Although food inflation is on lower side, the government has increased discount rate to contain inflation, added Sheikh.

The advisor said that Ehsaas programme allocation is being almost doubled – from Rs 100 this year to Rs 180 billion for the next fiscal year. Additionally, allocation of Rs 50 billion will be set aside in the budget for underdeveloped areas as well as Rs 46 billion for erstwhile FATA and Rs 30 billion will be allocated for food subsidy.

He also stated that employment generation is another challenge and the government's priority would be to complete the stabilisation programme as early as possible to move on to higher growth trajectory to increase employment opportunities.

He said that in 2008-2013 growth was around 2.8 percent but there were 6.9 million jobs while in 2013-18 per capita income was higher but job opportunities have decreased to 5.7 million.

Housing projects will also increase employment opportunities and for Kamyab Jawan Programme, Rs 100 billion has been allocated to help the youth set up their own business, said the advisor and added that Rs 250 billion has been earmarked for agriculture uplift to help the people associated with rural economy.

The government would also provide a tax break for the private sector in the budget that in turn would provide employment opportunities. Sheikh said that another way to create employment opportunities would be through increase in allocation for PSDP and the government has earmarked Rs 925 billion for next fiscal year's PSDP.

The advisor said that pubic private sector will also be strengthened for project implementation.

Federal Minister for Power Omar Ayub Khan said that the Pakistan Muslim League-Nawaz (PML-N) government provided electricity to even non-bill payers and halted price rise for petroleum and products with a view to winning the 2018 elections.

"Former government laid landmines for us in power, planning and economy sectors which we are gradually removing," he added.

Omar Ayub stated that credit did not go to PML(N) government for ending power load-shedding in the country it left behind a circular debt of Rs450 billion. He said, 80 per cent feeders are load shedding free.

The minister expressed confidence that circular debt will be completely eliminated by December 2020 and added that an amount of Rs 81 billion has been saved due to recovery drive and action against electricity thieves during the last eight months.

He said currently, there is zero load-shedding on 8,790 feeders during Sehr and Iftar and around 80 percent feeders have been completely cleared from power theft. He asserted that 80 percent areas are free from load-shedding now.

He said the PTI-led government took pragmatic steps for Nepra and recommended Rs.3.80 per unit tariff hike but the government increased it by only Rs.1.27 per unit. No power tariff was raised for consumers using up to 300 units, he added.

https://fp.brecorder.com/2019/05/20190526480082/

ADP DOLES OUT $200M FOR DRINKING WATER SCHEMES

By Our Correspondent Published: May 26, 2019

LAHORE: The Asian Development Bank (ADB) has allocated $200 million to provide drinking water to various union councils of Sahiwal city, under the aegis of the Punjab Intermediate Cities Improvement Investment Programme (PICIIP).

Through the initiative, a master plan would be developed over the next 25 years to ensure the provision of safe and clean water. The project is focused on 12 union councils of Sahiwal where 400,000 people will benefit during 2019. The number is expected to reach one million in the coming years.

The PICIIP aims to improve the quality of life the residents living in select cities of Punjab. It will transform the intermediate cities into urban centers which are more efficient, accountable and serve as an engine of economic growth and sustainable development. In order to achieve this goal, the government is addressing urban development challenges on the city level, including integrated planning, improved institutional framework for urban services, strengthened business processes of utilities and upgraded urban infrastructure and services.

The provincial government believes that cities need to be provided with upgraded sustainable infrastructure and connectivity for faster economic growth. Authorities maintain that this will enable higher productivity, opportunities for inclusive growth and a sustained quality of life.

In the Urban Economic Growth Strategy, the provincial government has advanced the initiative with a focus on cities becoming hubs for development and sustained growth. It argues that cities will be more efficient and competitive if the role of the government as policymaker and regulator is reinforced.

The role of the private sector in developing infrastructure and providing services has advanced the need for a business-friendly environment and conditions. The need of the hour is efficient service delivery institutions, a professionally managed set up and incentives for performance. Combined, these can serve as major contributors to an efficient and smart city.

Most of the spadework for the project has already been completed and the initiative is ready for execution. To resolve basic civic issues in major cities of the province, Punjab government will introduce $600 million worth of interventions in cooperation with donor agencies.

In the first phase, the PICIIP has been introduced in Sialkot and Sahiwal and will be rolled out in Sargodha, Rahimyar Khan, Bahawalpur and Muzaffargarh in the second phase.

The PICIIP will support different civic up-gradation programmes across the selected cities in two phases. In the first phase, the programme will support municipal corporations in Sahiwal and Sialkot cities, with an allocation of $250 million. Of the total, ADB will finance $200 million and the government of the Punjab will provide $50 million.

The PICIIP works to refine the efficiency of the Municipal Corporation by improving the services of water supply, sanitation, sewerage treatment, solid waste management and transport infrastructure. This will help enhance economic activities and improve conditions for business. It is also believed that the initiative will enable a healthier community and assure a better quality of life for the residents of Sahiwal and Sialkot.

Published in The Express Tribune, May 26th, 2019.

https://tribune.com.pk/story/1980357/1-adp-doles-200m-drinking-water-schemes/

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IMF WARNS US-CHINA TRADE WAR WILL 'JEOPARDISE' GLOBAL GROWTH

AFP Updated May 24, 2019

WASHINGTON: The IMF sounded the alarm on Thursday about the escalating US-China trade war, warning it will "jeopardise" 2019 global growth, undermine confidence and raise prices for consumers.

Gita Gopinath, the International Monetary Fund's chief economist, directly refuted President Donald Trump's claim that tariffs are paid by China and provide a windfall for the US treasury, and that his aggressive posture will help reduce the US trade deficit.

She and her co-authors warned in a blog post that the economic damage will be even worse if Trump goes through with the threat to impose steep tariffs on all goods imported from China, as that "will subtract about one-third of a percentage point of global GDP in the short term." Optimism was high earlier this month that a deal was within striking distance but tensions erupted after Trump accused Beijing of backtracking on its commitments made over the year of negotiations.

He then more than doubled tariffs on $200 billion in Chinese goods to 25pc and threatened to hit the remaining $300bn in products imported each year with duties at the same level.

"Consumers in the US and China are unequivocally the losers from trade tensions," Gopinath stated, noting that the "tariff revenue collected has been borne almost entirely by US importers." IMF chief Christine Lagarde and other fund officials have repeatedly raised concerns about the trade war but the blog post quantified the realised and expected damage, presenting the case with greater urgency.

Trump says a primary goal of the aggressive tariff strategy is to reduce the trade imbalance with China, which totaled $379bn last year.

But Gopinath argues that while the tensions have damaged both countries, reducing overall trade and hurting companies, "the bilateral trade deficit remains broadly unchanged."

Meanwhile, total US imports have not changed significantly since importers simply shifted their purchases to other countries.

Published in Dawn, May 24th, 2019

https://www.dawn.com/news/1484268/imf-warns-us-china-trade-war-will-jeopardise-global-growth

CABINET UNAWARE OF 'HARSH' IMF CONDITIONALITIES?

MUSHTAQ GHUMMAN | MAY 24TH, 2019 | ISLAMABAD

Prime Minister's Advisor on Finance, Revenue and Economic Affairs, Dr. Abdul Hafeez Shaikh reportedly did not share "harsh" conditionalities agreed with International Monetary Fund (IMF) for $ 6 billion program with his cabinet colleagues during the meeting of the federal cabinet held on May 21, 2019, well informed sources told Business Recorder. The Ministers who attended the cabinet meeting, sources said, were unhappy with the economic situation of the country especially the impact on general prices, dollar appreciation and negative sentiment in the market.

According to sources, Finance Advisor informed the cabinet about reforms agreed with the IMF and their expected outcome but avoided sharing the details of what was agreed as prior and during programme conditions with the IMF. Some of the cabinet members expressed extreme concern that with the current pace of the appreciation of the dollar (as on May 21, 2019) the rupee dollar parity could touch Rs 200 per dollar by December 2019. Prime Minister's Advisor who is the target of criticism within the country stated that in such a situation the government has many tools. The cabinet members, however, were not satisfied with clarifications provided by the Finance Advisor. The sources said further stated that the cabinet spent hours discussing the country's current economic situation and at one stage Prime Minister Imran Khan shared the views of businessmen he has been receiving since the meltdown of the economy.

After the discussion, it was decided that the Advisor would provide information and data with the government's spokespersons along with comparison of the incumbent government's nine month performance with the first nine months of PML (N) government.

The Cabinet also decided that Finance Division, in consultation with Information and Broadcasting Division, should devise an effective communication strategy to disseminate meaningful information related to economic health of the country essentially to effectively counter the negative market sentiments. The cabinet further decided that Cabinet Division will strictly follow-up on the decisions taken which are at various stages of implementation; and brief the Cabinet on weekly basis on implementation status of the decisions. In case the decision is un-implemented over a period of three months, Secretary of the concerned Division will present the status before the Cabinet.

The representatives of business community who are in the federal capital lobbying to reap maximum benefits in the upcoming federal budget are complaining that unbridled appreciation of the dollar has generated uncertainty disabling them from finalising their investment/expansion plans.

Representatives of the business community have tried to find out the terms and conditions of the IMF loan but to no avail as the small government negotiating team remains tight lipped.

https://fp.brecorder.com/2019/05/20190524478737/

IMF TO IMF TALKS HELD FOR BAILOUT PACKAGE: RABBANI

RECORDER REPORT | MAY 24TH, 2019 | ISLAMABAD

Former Chairman Senate Raza Rabbani Thursday said that transparency of the negotiations between International Monetary Fund (IMF) and the government after installation of an IMF team as adviser finance and Governor State Bank is raising serious questions on its transparency. In a statement issued here, he said that it appears that the IMF to IMF negotiations carried out for the bailout package are loaded against the State of Pakistan and raise serious questions as to the political price that the state will have to pay in terms of its national security and in the context of the regional developments taking place, says a press release issued here.

The resignation of the chairman of the Board of Investment for the reasons that the IMF program has precedent over other foreign investments and the talk that the secretary finance did not attend the last three meetings with the IMF and is now about to be shown the door, raises serious questions of facts on which the government needs to take Parliament into confidence.

The major fact that the details of the agreement are being hidden from the Parliament and the people of Pakistan raise serious and genuine questions about the compromises made and the financial sovereignty bartered to the IMF.-PR

https://fp.brecorder.com/2019/05/20190524478797/

WB-FUNDED RS 3.73 BILLION PUNJAB GREEN DEVELOPMENT PROGRAMME LAUNCHED

RECORDER REPORT | MAY 23RD, 2019 | LAHORE

The energy department of the government of Punjab has decided to launch World Bank-funded Rs 3.73 billion Punjab Green Development Programme in the province. Under the programme, the poor tube lights and fans with high consumption of electricity would be replaced by new ones in 90,000 organizations of the province. These institutions included public sector schools, colleges, universities, and public sector organizations, offices of the district governments, corporations and unions throughout the province of Punjab.

This programme would continue up to 2023, said the concerned authorities. They said the energy expenses of these organizations are on the rise due to inefficient electricity appliances therefore as many as one million tube lights and 225,000 fans would be replaced with energy saving appliances.

https://fp.brecorder.com/2019/05/20190523478562/

TOUGH TIMES AHEAD

Khaleeq Kiani Updated May 20, 2019

Just before his resignation as finance minister in February 2013, Dr Abdul Hafeez Shaikh was asked if he could count an achievement as finance minister. He thought for a minute and shot a counter-question: “Don’t you think caring for a patient in an Intensive Care Unit (ICU) is also an achievement?”

At that point, he was not able to keep up with the International Monetary Fund (IMF) because of strong domestic resistance to the Reformed General Sales Tax (RGST) and reforms in bleeding corporations. Yet he kept the Fund ‘engaged’ for almost a year without informing it to avoid a meltdown in the market

He was considered almost an outsider in the PPP government despite his elders’ role in founding the party. He still succeeded in putting together an impressive economic team, which included Dr Nadeem Ul Haque, Shahid Kardar, Abdul Wajid Rana, Dr Waqar Masood and Salman Siddique.

Independent economists estimate a loss of almost one million jobs during the IMF programme, which is in contrast to Imran Khan’s vision of creating 10m jobs and setting the stage for an Islamic welfare state in his five-year term

The patient is again in the proverbial ICU as Dr Shaikh takes over the job he had left seven years ago in an almost similar situation. As Pakistan enters the 22nd IMF bailout programme, it faces the highest inflation in five years and the lowest economic growth rate in nine years.

Dr Shaikh is building a new team again with support from his Musharraf-era cabinet colleague Jahangir Khan Tareen and talking to almost none of the past friends, except Mr Rana who may soon be taking over as the deputy chairman of the Planning Commission.

Dr Reza Baqir has been borrowed from the IMF to be the country’s first governor of the ‘independent SBP’. He said the latest devaluation was a reflection of market conditions a day after the prime minister ordered action against those responsible for the currency movement.

A market-based exchange rate — read depreciation at this stage — is one of the prior actions in addition to Rs700bn-plus fiscal adjustment in the budget. Other prior actions include policy rate and energy price hikes before the 39-month programme can be formally approved by the executive board of the Fund.

Shabbar Zaidi, a leading name in the auditing profession, has been tasked with improving the revenue system. Members of the technocratic team are still considered outsiders in the PTI government.

Almost all macroeconomic indicators are in decline, thanks to the nine-month uncertainty with a high opportunity cost. Public-sector corporations are no better than they were in 2013 and remain the single biggest drain on the public kitty.

Technocrats tend to ignore the political cost in their proposed road map. That is where the real challenge of the 39-month stabilisation programme emerges. Independent economists are already estimating a loss of almost one million jobs over the three-year period and the same number of people falling below the poverty line. That is in contrast to Imran Khan’s vision of creating 10m jobs and setting the stage for an Islamic welfare state in his five-year term.

The problem is that the IMF programme will continue until the last quarter of 2022, leaving less than three quarters for the PTI government to generate jobs in an election year. The PTI term will end in August 2023.

The IMF conditions are stringent. Pakistan has to ensure timely implementation of prior actions and secure letters of comfort from China, Saudi Arabia and the United Arab Emirates to roll over more than $8bn of their bilateral loans.

Pakistan has to ensure an ambitious structural reform agenda that supplements economic policies to rekindle growth and improve living standards, the IMF said. But it warned that financing from Pakistan's international partners will be critical to support the authorities' adjustment efforts and ensure that the medium-term programme objectives are achieved.

"Decisive policies and reforms, together with significant external financing, are necessary to reduce vulnerabilities faster, increase confidence and put the economy back on a sustainable growth path, with stronger private-sector activity and job creation," the IMF said.

More importantly, a comprehensive plan for the cost recovery in the energy sector and state-owned enterprises will help eliminate or reduce the quasi-fiscal deficit that drains scarce government resources. "Provinces are committed to contributing to these efforts by better aligning their fiscal objectives with those of the federal government."

This comes at a time the country's per capita income in dollar terms has dropped over 8pc to about $1,515 from $1,650 last year mainly because of the depreciation. The size of the economy, as measured by GDP, in dollar terms has also come down from $313bn last year to $280bn. The GDP growth rate at 3.29pc is the lowest since 2.64pc in 2010 and way behind the current year's target of 6.2pc.

In fact, the national economy is generally showing an all-out dismal performance during the first year of the PTI government. The agricultural output growth is 0.85pc against the target of 3.8pc. The industrial sector is growing at 1.4pc against the target of 7.6pc while the services sector's growth rate of 4.7pc is less than its 6.5pc target.

Also, the government failed to meet investment and savings targets. The investment-to-GDP ratio has dropped to 15.4pc against the target of 17.2pc. The savings-to-GDP ratio stood at 11.1pc in 2018-19 against the target of 13.1pc.

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https://www.dawn.com/news/1483426/tough-times-ahead

ECONOMIC IMPACT OF IMF PROGRAM

DR HAFIZ A PASHA, SHAHID KARDAR & MUHAMMAD IMRAN | MAY 20TH, 2019

A staff-level agreement has finally been reached with the IMF. A press note was issued from the IMF headquarters on May 12, 2019 confirming the willingness for a three-year Extended Fund Facility (EFF) to Pakistan. The size of the EFF is $6 billion. However, the agreement is 'subject to IMF management approval and by the Executive Board. This requires timely implementation of prior actions and confirmation of international partners' financial commitments.' Although the details of the policy measures and the sequencing and timing of their implementation are not fully known fairly decent professional educated 'guesses' can be made on the prior actions and other structural reforms that we will be expected to undertake the tenure of the Program? And based on this identification of the proposed reform actions and fulfillment of performance criteria on a quarterly basis an attempt can be made to assess the likely macroeconomic impact of their implementation.

To this end this article first describes the key objectives of the Program. This is followed by identification of the prior actions in Section 2. The key targets are then derived as implied by the text of the press statement in Section 3. Section 4 then presents the likely macroeconomic impact of the IMF Program.

The 46 equation Macro Econometric Model of Pakistan developed by the authors is used to simulate the consequences of attainment of the key deficit reduction targets on important macroeconomic variables like GDP growth, investment, inflation, employment and incidence of poverty in the country, over the duration of the Program from 2019-20 to 2021-22. This will highlight the extent of the tradeoff between growth and stabilization and the price that the people of Pakistan will have to pay to eventually get the economy back on the path of sustained and, relatively, high growth.

The Program aims to support the government's strategy for achieving stabilization of the economy by reducing domestic and external imbalances. A process of structural adjustment has already started. These efforts will need to be strengthened. The EFF will support the attainment of stabilization of the economy by implementation of an ambitious macroeconomic and structural reform agenda.

The budgetary imbalance will be removed by implementation of tax policy and administrative reforms and by the achievement of greater resource mobilization. A plan of cost recovery and greater efficiency will be put in place in the energy sectors and state-owned public enterprises so as to reduce the stress on scarce public resources.

The adverse external balance of payments position and the low and declining level of foreign exchange reserves will be improved by access to significant external financing. Further, a market-determined exchange rate system is expected to enhance competitiveness, restrain imports, improve functioning of the financial sector and contribute to better resource allocation. Simultaneously, trade will be facilitated.

The Program aims to insulate the poor, to the extent possible, from any adverse consequences of the process of structural adjustment. As such, there will be emphasis on prudent spending growth aimed at preserving essential development spending, scaling up the Benazir Income Support Program and improving targeted subsidies.

The forthcoming Federal and Provincial budgets for 2019-20 are likely to be one of the primary means for the implementation of many of the prior actions. These are likely to include the following:

(i) Taxation proposals which can raise an extra Rs 700 billion of revenues in 2019-20.

(ii) Attainment of a primary deficit reduction to 0.6 percent of the GDP from the likely level of a deficit of close to 2 percent of the GDP in 2018-29.

(iii) Containment of the growth in non-debt servicing related current expenditure.

(iv) Likely restoration of the level of development spending to near the level proposed prior to the cut imposed in the Supplementary Budget of 2018-19.

(v) Significant increase in the outlay of programs like the Benazir Income Support Program.

In addition, over the next few days and weeks, there is a likely to be a 20 to 25 percent increase in electricity and even higher in gas tariffs, with the targeting of the subsidy only to lifeline domestic consumers.

Furthermore, there will be a process of rupee devaluation to a level agreed with the IMF as the starting point for the adoption of a market determined exchange rate policy. And, already, on the 16th of May a downward adjustment of almost 5 percent has taken place.

The feasibility of and full transition to the formal signing of the EFF will hinge on the success in obtaining confirmation of international partner's financial commitments. This is a very unusual perquisite. However, the financing gap is unlikely to be closed unless there is formal agreement on, for example, the rollover/rescheduling into long-term commitments (based on original maturity dates) of the deposits and 'swap' funds placed with the SBP by countries like Saudi Arabia, UAE and China, and perhaps even the commercial debt provided by 'private' institutions. These liabilities total more than US$18 billion over the next two years.

The bottom line is that most of these prior actions will be rather difficult to meet. The IMF has made it absolutely clear that unless these actions are faithfully and fully implemented there will be no EFF with Pakistan. The country has been left with no, if any, options.

As already mentioned above, the magnitudes of key macroeconomic variables over the Program period have, so far, not been explicitly indicated. The Government has also preferred to not make publicly available the three-year Macroeconomic Framework agreed with the IMF staff mission.

However, there are essentially only two critical targets relating to the reduction in the domestic and external imbalances, as follows:

(i) The budget deficit has to be reduced sharply so as to reduce the level of aggregate demand in the economy and thereby contain imports. Further, the level of public debt as a percentage of the GDP must start falling. The focus in the proposed EFF has shifted towards containment in the primary deficit, as opposed to its past practice of demanding a reduction in the overall fiscal deficit. This is a key element of the strategy to reduce the growth in public debt. As highlighted above, the primary deficit is expected to be brought down to 0.6 percent of the GDP in the first year of the Program from a deficit of close to 2 percent in 2018-19. A primary surplus will need to be generated in 2020-21 and reach almost 1 percent of the GDP in 2021-22.

The expectation is that the cost of debt servicing will be 5.5 percent of the GDP in 2018-19, representing a big jump in relation to the level of 4.4 percent of the GDP, due to the hike in interest rates. The budget deficit is the sum of the primary deficit/surplus and the cost of debt servicing.

As such, it is expected that the budget deficit will be close to 7.5 percent of the GDP in 2018-19. The implied targets will be to reduce the budget deficit to 6.5 percent of the GDP in 2019-20, with debt servicing at 5.9 percent of the GDP. It is assumed that the terminal year target will be 4.5 percent of the GDP in 2021-22, as shown in Figure 1.

(ii) The most critical target relates to the reduction in the current account deficit so as to restore the sustainability of the external balance of payments.

The current account deficit had reached a peak level of $19 billion in 2017-18, equivalent to 6.1 percent of the GDP. There is likely to be a significant reduction to $12 billion or 4.2 percent of the GDP in 2018-19. Clearly, there is a need to bring the current account deficit down to a safe level of below 2 percent of the GDP during the tenure of the Program. The assumed annual targets during the three years of the Program are also presented in Figure 1.

We proceed now to highlight the likely implications on key macroeconomic variables on the basis of simulations of the Macro Econometric Model to achieve the above two key targets.

Revenues: the expectation is that an additional Rs 700 billion (in our view Rs.600 billion now that Rs.100 billion will come from the vacation of the stay of the earlier SC decision on taxation of telecom related services) will be generated in the budget of 2019-20 through implementation of a large number of taxation proposals relating particularly to withdrawal of exemptions and special treatment by both the Federal and Provincial Governments. Although more than Rs.250 billion of tax exemptions relate to international commitments (FTAs, PTAs, CPEC, etc.) and on basic consumer goods at the Federal level greater scope lies in the eliminations or adjustments in the case of special treatments-like the existing lower rate of GST on LNG and motor spirit (plus import duty on the latter), the reversal of the generous exemption limit on the income tax liability of salaried and non-salaried individuals, etc.. At the level of the provinces there is a long overdue need to develop the potential of the Agriculture Income Tax and Property Tax and continued efforts to expand the base of the GST on Services.

If achieved, this will raise the tax-to-GDP ratio by 1.7 percent to 14.2 percent in 2019-20. Thereafter, a feasible target over the next two years will be to raise the tax-to-GDP ratio to 16 percent of the GDP in 202122. This will require implementation of taxation proposals in 2020-21 and 2021-22 of Rs 350 billion and Rs 250 billion respectively. Overall, over the three years of the Program this target is ambitious and involves an increase in the tax-to-GDP ratio of 3.5 percent. This is perhaps one of the most challenging targets in the Program and the success or failure of the Program will probably hinge on the performance of tax revenues. It is, of course, possible that the Government may have agreed to a somewhat less ambitious target for 2021-22. Non-tax revenues are expected to remain at 2.2 percent of the GDP.

Total Expenditure: The budget deficit is assumed to be brought down in the Program by over 3 percent of the GDP. Therefore, there will be some fiscal space to increase the level of public expenditure by almost 0.5 percent of the GDP during the Program. The assumption is that this will primarily be in development spending, including the BISP and other interventions for social protection.

The critical magnitudes in the balance of payments are described below:

Exports: The performance of exports is also an extremely crucial factor in determining the success or failure of the prospective EFF.

During the last two years intensive efforts have been underway to revive exports after their fall since 2013-14 with some recovery in 2017-18. Not only has a big devaluation of the rupee been resorted to but also an export incentive has been offered. Zero rating has been given to overall sales. In addition, subsidized electricity and credit is being offered to exporters and imported inputs into production of exports have been exempted from import duties. However, exports have remained stagnant in the first ten months of 2018-19. This is perhaps the kernel of the structural problem that Pakistan faces.

The likelihood is that the IMF may have insisted only on the use of instrument of depreciation of the rupee as the mechanism for boosting exports, along with withdrawal of other measures representing special treatment of exports. Consequently, the pressure on the rupee is going to be even greater during the tenure of the Program.

The projection is that a minimum growth rate of 6 percent annually will be required in exports of goods and services during the tenure of the Program.

Imports: Imports have contracted by 8 percent in the first ten months of2018-19. This has been achieved by a combination of the rupee depreciation, use of ITPs, levy of regulatory duties and imposition of cash margin requirement on selected imports. The IMF may also insist on the withdrawal of the last two measures as contrary to the goal of 'facilitating trade'. They will probably be withdrawn soon and reliance placed here also on containment of imports entirely by the instrument of rupee depreciation. In order to achieve a significant reduction in the current deficit of the magnitude described earlier there will be need to reduce imports of goods and services by at least 6 percent in 2019-20.

The projected likely magnitudes of the | Table 2: Balance of Payments Projections – ($ billion) key components of the balance of payments are presented in Table 2. They are, of course, based on the rollover of deposits, swap funds with the SBP and of other repayments due. Without this, it is clear that there will be no Program with the IMF.

Moreover, we may also have to borrow an additional US$15-20 billion over the next two years to achieve the projected level of reserves.

Given the greater pressure on the rupee, the Model indicates that the Real Effective Exchange Rate (REER), with the base year of 2010, will have to be substantially reduced during the next three years. It is close to 100 currently and will have to be brought down to almost 75 by end-June 2022.

GDP growth: The GDP growth rate has already come down sharply in 2018-19 due to the initial steps towards stabilization. PBS estimates that the growth rate will be 3.3 percent as compared to 5.5 percent in 2017-18.

There is a high level of risk that the economy's growth rate could plunge further to 3 percent or below in 201920. First, private consumption expenditure in real terms will be limited by the lack of significant increase in disposable income due to higher direct taxation and by the increased tax burden on goods and services.

Second, private investment is likely to fall in real terms due to the hike in interest rates. In fact, the SBP policy rate may reach a peak rate of 14 percent in 2019-20. Also, the price of capital goods will rise relative to the domestic price level due to the continuing devaluation of the rupee.

Third, the growth in public consumption expenditure will be restricted by the effort to reduce the fiscal deficit. Beyond 2019-20 there may be some upsurge in the GDP growth rate to 4.5 percent by 2021-22.

Rate of Investment: The overall rate of investment, public plus private, is also expected to fall significantly to near 15 percent of the GDP in 2018-19 as compared to 16.4 percent of the GDP in 2017-18. This will be due, in particular, to the big reduction in the size of the national PSDP.

The year, 2019-20, is likely to witness a further decline in the overall level of investment to 14.5 percent of the GDP, as shown in Figure 3, due primarily to the fall in private investment for reasons already given above.

This will represent the lowest level of investment since 2010-11. Beyond 2019-20, there is the expectation of a rise due to the recovery in public development spending.

Rate of Unemployment: With low GDP growth and a decline in the level of investment it is not surprising that the number of unemployed workers will increase sharply by 51percent from 3.7 million in 2017-18 to 5.6million by 2021-22. The cumulative number of jobs created over the four year period, 2018-19 to 2021-22, is 5 million, as compared to the increase in labor force of 6.9 million. The PTI commitment of creating 2 million jobs annually will appear to be a distant pipedream. In fact, the unemployment rate is expected to rise from 5.8 percent in 2017-18 to almost 8 percent by 202021, as shown in Figure 4. It may fall somewhat in 2021-22 if the economy attains a growth rate of 4.5 percent or more.

Rate of Inflation: The monthly average of the year-to-year rate of inflation in the consumer price index is estimated at 8.2 percent in 2018-19. The upsurge from 3.9 percent in 2017-18 is due primarily to the large depreciation in the value of the rupee. The Model indicates that high double-digit inflation could be reached in 2019-20, with a peak rate of 16 percent, as shown in Figure 5. This will be due to the spread and deepening of inflationary expectations as well as the rise in prices of imported products due to the continuation of the process of depreciation of the rupee and higher burden of indirect taxes. The rate of inflation is expected to fall in 2020-21 to 10 percent and to below 5 percent by 2021-22.

Level of GDP: The sharp devaluation of the rupee at a rate generally faster than the rise in the implicit GDP deflator will lead to a hitherto unprecedented situation where the GDP starts falling in terms of US$, as shown in Figure 1, from 2018-19 onwards up to 2021-22. In fact, the GDP in US$ is estimated in 2021-22 at $281 billion, which is even lower than the GDP in 2017-18 of $313 billion. The per capita income could fall to $1300 by 2021-22. This is even lower than the per capita income of Bangladesh, which is currently at $ 1516, and rising at a fairly rapid rate.

Incidence of Poverty: The ‘stagflation’ from 2018-19 to 2020-21 will inevitably lead to a large number of people falling below the poverty line, as shown in Figure 6.The number of poor is likely to increase by over 4 million in 2018-19, by 5.2 million in 2019-20, by 3.6 million in 2020-21 and by 0.4 million in 2021-22. Cumulatively the number of people falling below the poverty line during the IMF EFF to Pakistan is over 9 million, equivalent to an increase in the incidence of poverty of almost 4.5 percentage points.

Overall, the process of stabilization under the umbrella of a three-year IMF Program could impose enormous strain on the economy and on the people of Pakistan, in the first two years, 2019-20 and 2020-21. The GDP growth rate is likely to be low, investment will plummet downwards, the rate of inflation will rise and the level of unemployment and number of poor people will increase perceptibly.

The heavy front loading in the IMF scheme of things is in contrast with the more gradual and less stressful pace of adjustment of the policy actions and choice of instruments proposed in our own Home-Grown Macroeconomic framework (printed in earlier these pages) aimed at achieving the same objectives. Unfortunately, this is the price the vast majority of people will be required to pay under the IMF program to minimize the risk of default, a daunting challenge for a PTI government with a wafer-thin majority in Parliament. It will, therefore, be vital for the PTI Government to seek and enlist the support of the opposition for pushing through the deep and comprehensive reform agenda, even under a less strenuous arrangement. Hopefully, the process of high and sustainable growth will become more feasible after 2020-21. However, there will still be a need to repay all debts that are rolled over during the tenure of the Program.

(The writers are former Federal Minister, former Governor of the SBP and Research Fellow)

https://fp.brecorder.com/2019/05/20190520477186/

June 2019

NEWS COVERAGE PERIOD FROM MAY 27TH TO JUNE 2ND 2019

WORLD BANK TO PROVIDE $465M FOR EDUCATION, POWER PROJECTS

Amin Ahmed Updated June 02, 2019

ISLAMABAD: The World Bank has announced app-roval of two loans amounting $465 million to support higher education in Pakistan and expand sustainable electricity trade between Central Asia and South Asia.

The approval of $400m 'Higher Education Deve-lopment in Pakistan' project will strengthen tertiary education to produce skilled, innovative and enterprising graduates. It will strengthen partnerships with industry for strategic research and develop data-driven governance of tertiary education.

The 'Central Asia-South Asia Electricity Transmission and Trade' project (CASA-1000) will enable sustainable electricity trade between Afg-h-anistan, Kyrgyz Rep-ublic, Pakistan and Taji-kistan. The project will use $65 million in additional fin-an-cing to complete Pakistan's infrastructure part of the CASA-1000 project.

"The two projects support Pakistan's long-term vision for building high quality talent and promote the creation of a regional energy market to boost economic prospects for millions of Pakistanis," said World Bank Country Director for Pakistan Illango Patcha-muthu. "Both projects form part of the priority areas identified in 'Pakistan@100: Sha-ping the Future', a flagship initiative, that identifies frontier interventions for Pakis-tan to become an upper middle-income country by 2047."

About the higher education project, lead World Bank economist Tazeen Fasih said that "the project will also support the improvement of teaching and learning at the affiliated college level for improved mid-level skills and employability of graduates". The project supports the Higher Education Comm-ission of Pakistan's Vision 2025 programme, developing tertiary education as part of the Pakistan government's aim to become an upper-middle income country, she said.

The World Bank document on the project says some of the challenges facing the research environment in Pakistan are inadequate and irrelevant research activities with few linkages between universities and industry impacting the commercialisation of research.

There is a misalignment between the government's said agenda of promotion of innovation and entrepreneurship and implementation of this agenda.

Published in Dawn, June 2nd, 2019

https://www.dawn.com/news/1486069/world-bank-to-provide-465m-for-education-power-projects

PAKISTAN EYES BORROWING OF $12.3 BILLION IN FY20

By Shahbaz Rana Published: June 2, 2019

ISLAMABAD: Pakistan is eyeing obtaining record foreign loans of over $12 billion in the upcoming fiscal year on the strength of an International Monetary Fund (IMF) programme, but it will still face a financing gap due to the requirement of building foreign currency reserves and $10.7 billion in debt repayments.

The Ministry of Finance has estimated the receipt of $12.3 billion from bilateral and multilateral lenders, commercial banks, issuance of Eurobonds and the IMF in fiscal year 2019-20, according to sources in the ministry.

The estimated fresh borrowing will be nearly one-fifth or $1.9 billion higher than the outgoing fiscal year's revised estimate of $10.3 billion worth of external inflows. Pakistan has not planned to take fresh SAFE deposits from China in the new fiscal year as against $2 billion obtained in the outgoing year.

However, the country's gross external financing requirement has been estimated at a minimum $19 billion, excluding the additional needs to shore up the foreign currency reserves to a level that are sufficient to finance three months of imports, said the sources.

The government has estimated a record $10.7 billion in debt repayments in fiscal year 2019-20 while another $8.3 billion will be needed to finance the current account deficit, they added. The current account deficit has been projected at 3% of gross domestic product (GDP). Some of the needs will be met through nearly $2.5 billion in foreign direct investment, privatisation proceeds of $2 billion and private-sector borrowings.

But the real challenge will be how to increase the central bank's foreign currency reserves to close to $13 billion from the anticipated level of around $7 billion by the end of this month. The reserves currently stand at $8 billion, which are not sufficient to provide cushion for even two months of imports.

After including the central bank's buffer requirement, there will still be a financing gap of $6 billion to $7 billion in the next fiscal year, according to the sources.

Pakistan and the IMF have announced a staff-level agreement for a $6-billion 39-month loan package, which will be supported by budgetary assistance from the World Bank and the Asian Development Bank. But all these inflows will be insufficient to provide comfort to the Q-block dwellers.

Out of the $6 billion, Pakistan will receive $2 billion from the IMF in the next fiscal year, subject to successful completion of quarterly reviews. Against $2 billion inflows, the government will return the IMF $750 million on account of repayment of previous loans, said the sources.

Similarly, the government still has a plan to borrow $2 billion from foreign commercial banks. But the new borrowings will not be sufficient to repay the $4.4-billion maturing commercial bank loans, the finance ministry sources said. Most of the $4.4-billion commercial loans will be returned to Chinese financial institutions, mainly Industrial and Commercial Bank of China and China Development Bank. Pakistan also plans to float $3 billion worth of Eurobonds in the next fiscal year as against $1.6 billion in repayments on account of Eurobonds, they added.

Bilateral outflows will be higher than inflows in the next fiscal year. As against total bilateral inflows of $1 billion, the outflows will stand at $1.8 billion, according to the ministry officials.

Pakistan will return $654 million to China against the fresh inflow of $553 million. Similarly, the repayment to Saudi Arabia will amount to $161 million against new loans of $51 million, the sources said.

Pakistan will repay $390 million worth of Japanese debt as against projected fresh borrowing of $35 million. Inflows from multilateral creditors would exceed outflows. Pakistan has estimated the receipt of $4.2 billion from these creditors against $2.2 billion in repayments. The ADB is expected to lend $1.6 billion while it will be repaid $1 billion in maturing debt. The World Bank may extend $1.3 billion in new loans against $800 million worth of maturing debt.

The lending from the ADB and the World Bank would pick up due to the restoration of budgetary support.

The Islamic Development Bank is expected to extend $1.1 billion in fresh loans. Pakistan will return $244 million to the IDB in the next fiscal year. Meanwhile, the World Bank board of directors on Friday approved $465 million in loans for two projects to support higher education and expand sustainable electricity trade between Central Asia and South Asia, according to the local office of the World Bank.

Both projects form part of the priority areas identified in “Pakistan@100: Shaping the Future”, a flagship initiative that identifies frontier interventions for Pakistan to become an upper middle-income country by 2047, said World Bank Country Director for Pakistan Illango Patchamuthu.

The $400-million Higher Education Development in Pakistan project will strengthen tertiary education to produce skilled, innovative and enterprising graduates. It will strengthen partnerships with the industry for strategic research and develop data-driven governance of tertiary education.

The Central Asia-South Asia Electricity Transmission and Trade project (CASA-1000) will enable sustainable electricity trade between Afghanistan, Kyrgyz Republic, Pakistan and Tajikistan. The project will use $65 million in additional financing to complete Pakistan’s infrastructure part of the CASA-1000 project. It will help meet the growing energy demand in Afghanistan and Pakistan, by transferring surplus summer hydroelectric power from the Kyrgyz Republic and Tajikistan.

Published in The Express Tribune, June 2nd, 2019.

https://tribune.com.pk/story/1985139/2-pakistan-eyes-borrowing-12-3-billion-fy20/

WORLD BANK COMMITS $465MLN LOAN FOR ENERGY, HR PROJECTS

Our Correspondent June 2, 2019

KARACHI: The World Bank on Saturday committed $465 million in financing to expand sustainable electricity trade between Central Asia and South Asia and support higher education in Pakistan.

“The two projects support Pakistan’s long-term vision for building high quality talent and promote the creation of a regional energy market to boost economic prospects for millions of Pakistanis,” World Bank Country Director for Pakistan Illango Patchamuthu said in a statement. “Both projects form part of the priority areas identified in Pakistan@100: Shaping the Future, a flagship initiative that identifies frontier interventions for Pakistan to become an upper middle-income country by 2047."

The $400 million higher education development in Pakistan project would strengthen tertiary education to produce skilled, innovative and enterprising graduates. It will strengthen partnerships with industry for strategic research and develop data-driven governance of tertiary education.

"The project will also support the improvement of teaching and learning at the affiliated college level for improved mid-level skills and employability of graduates." Tazeen Fasih, lead economist at the World Bank said. The project supports the Higher Education Commission of Pakistan's vision 2025 program, developing tertiary education as part of the government's aim to become an upper-middle income country.

Another project financing is for the Central Asia-South Asia Electricity Transmission and Trade Project (Casa-1000) that would enable sustainable electricity trade between Afghanistan, Kyrgyz Republic, Pakistan and Tajikistan. The project will use $65 million in additional financing to complete infrastructure part of the Casa-1000 project in Pakistan. It will help meet the growing energy demand in Afghanistan and Pakistan by transferring surplus summer hydropower from the Kyrgyz Republic and Tajikistan.

The $1.2 billion of Casa-1000 energy project was approved in March 2014 with the date of its completion expected in 2020. The project envisaged supply of 1,300 megawatts of electricity from Kyrgyzstan and Tajikistan: 300MW to Afghanistan and 1,000MW to Pakistan. In April, the World Bank sanctioned a $24 million in grant financing from the International Development Association for the project, while the United Kingdom's Department for International Development and US Agency for International Development pledged an additional funding of two million for the Casa-1000 multi-donor trust fund.

"Casa-1000 will also improve livelihoods for people living along the energy corridor, sharing the prosperity associated with the project." Fowzia Hassan, senior energy specialist at the World Bank said. The International Development Association, the concessional financing arm of the World Bank, is funding both projects.

https://www.thenews.com.pk/print/479279-world-bank-commits-465mln-loan-for-energy-hr-projects

THE PLAN

SYED BAKHTIYAR KAZMI | JUN 1ST, 2019 | ARTICLE

"The 36-month programme under the IMF's Extended Fund Facility aims at bringing down inflation and reducing the fiscal deficit to more sustainable levels. The programme also includes measures to help achieve higher and more inclusive growth." IMF Survey 4 September 2013.

"But the programme is aimed at improving Pakistan's public finances, reducing public debt and, you know, helping Pakistan get back on the path to a sustainable, more inclusive growth, and so on.", Gerry Rice of the IMF's Communication Department, 23 May 2019.

What will be, will be, the future's not ours to see.

Except that the above two statements have so much in common that they qualify for lookalike twins, and we ended up doubling our national debt after the last programme.

The staff level agreement 2019 with the IMF requires improving public finances and reducing public debt through tax policy, and more equal and transparent distribution of taxes.

Tax policy is double-speak for increasing income tax and sales tax rates, and equal distribution could mean they are going to tax agriculture this time around; feudal lords, get your act together in the parliament.

But here is the glitch, even if you forcibly, by completely eliminating development expenditure, bring down the fiscal deficit to 6%, you still have to borrow; so how exactly does the plan envisage to bring down public debt?

And why have more taxes never meant increasing customs tariffs in any IMF program ever?

Fool me once, shame on you; fool me twice, shame on me; fool me every time – then I'm an idiot!

IMF's fresh programme also requires a comprehensive plan for cost recovery in the energy sectors and State-Owned Enterprises (SOEs); the resultant savings to be used for social protection and human capital development.

Let me see if I get this right: the plan is to eliminate the subsidy on gas and electricity bills, thereby slashing the disposable incomes of the entire middle class, firing most everyone employed by SOEs, and then focusing on human development by giving alms.

The problem with this plan ab initio is that if the objective is cost recovery, there will be no savings; and we would have sold all our holdings to imperialists.

The IMF's new programme also wants the State Bank of Pakistan to have operational independence, focus on reducing inflation, and let the market determine the rupee value; the last of which supposedly to ensure that all resource are allocated to the financial sector.

Just figured out how the plan will ensure GDP growth.

Since the SBP is now independent, it will not lend to the government anymore – thereby forcing the latter to borrow entirely from commercial banks at higher rates with an already weak rupee, ensuring that banks make hefty profits since all resources get appropriated to the financial sector, but we have GDP growth.

According to some vague rule, interest is the Central Bank's weapon of choice for fighting inflation and the SBP has already assumed DEFCON 2; the interest rate has been kicked up to the next level.

The policy rate has been increased from 5.75% in January 2018 to 12.25% in May 2019 but inflation continues to grow, so the Rule is definitely not operating; but here is the clincher, inflation went up from 3.8% in January 2018 to averaging around 8% in 2019.

So how does 12.25% correlate to 8%; and have interest rates ever worked in controlling inflation in the entire history of Pakistan?

And the rupee has been ditched, left to the vagaries of the free markets.

Free markets is defined as allowing developed countries free access to developing countries markets, thereby achieving abject control of the latter's economy for free.

The IMF's latest programme also expects a favourable business environment which facilitates trade; which, in turn, is defined as developed nations freely exporting to developing countries struggling with an external debt trap, and possibly being dictated to by lenders to have more free trade.

Absolutely, so much free trade will do wonders for our trade deficit.

A weaker rupee, which will continue to get weaker because of more free trade, will ensure more inflation since we have stopped manufacturing and import even our basic necessities.

But more inflation will mean even higher interest rates, and more free trade will result in an even weaker rupee and more inflation.

From circular debt, to debt trap, to trapped circularly.

Accounting for more taxes, higher utility bills, more interest on mortgages, a weaker rupee, and high inflation, the common man will not have enough left to buy food; not sure how the IMF excel sheets tied up in their Pakistan model, but in the real world the numbers just don't add up.

Recession appears inevitable; a direct consequence of ill planned austerity.

Things appear bleak and the light at the end of the tunnel has an ominous rushing sound.

Unless… we do something we have never done before… like have our own plan. (The writer is a chartered accountant based in Islamabad. Email: syed.bakhtiyarkazmi@gmail.com)

https://fp.brecorder.com/2019/06/20190601483003/

NATIONALIST PARTIES PROTEST AGAINST PRICE HIKE, DEAL WITH IMF

The Newspaper's Staff Correspondent May 27, 2019

HYDERABAD: Activists of nationalist and leftist parties took out a rally under the aegis of Sindh Progressive Committee (SPC) in protest against massive price hike and ill-advised agreement between International Monetary Fund and Pakistan Tehreek-i-Insaf (PTI) government.

The rally which was attended by workers of Awami Jamhoori Party, Awami Workers Party, Communist Party of Pakistan and Jeay Sindh Mahaz-Junejo started its march from Giddu Chowk and culminated at the press club.

Comrade Vishno Mal, SPC convener Hashim Khoso, Abdul Khaliq Junejo and others, who led the rally, said that the government had imposed unnecessary taxes on people and ratcheted up rate of dollar against rupee which had broken the back of working class and labourers. Due to hike in dollar's rate, prices of petrol, gas and electricity had gone beyond the reach of common man, they said.

They said that successive governments had taken loans from international financial institutions over the past 71 years but major chunk of the loans had been siphoned off in the shape of corruption with which corrupt rulers erected their business empires abroad while it were people who were paying back interest on the huge debt.

Due to ill-advised policies of present government, the poor were becoming poorer but the rulers had no plans for their welfare and wellbeing, they said.

They said that rulers should devise policies to control price hike and inflation and demanded that the government should cut defence expenditures and impose direct taxes on industrialists, investors and factory owners. No indirect tax should be imposed on people, they said.

They said that uncontrolled price hike was forcing people to commit suicide. Political parties including PTI, Pakistan Muslim League-Nawaz and Pakistan Peoples Party, which had been blaming each other for corruption, were all anti-people and had lust for power, they said.

They said that capitalist system was the root cause of political and economic problems while the state's structure was undemocratic and anti-people.

They condemned killings of Hazara community people in Balochistan, attack on hotel in Gwadar, killings of labourers from other provinces in Balochistan and bomb blast outside the shrine of Data Darbar.

Published in Dawn, May 27th, 2019

https://www.dawn.com/news/1484744/nationalist-parties-protest-against-price-hike-deal-with-imf

NEWS COVERAGE PERIOD FROM JUN 3RD TO JUN 9TH 2019

IMF WANTED 600BPS INTEREST RATE HIKE: ASAD UMAR

By Maidah Haris Published: June 3, 2019

KARACHI.: It is no secret that when the Pakistan Tehreek-e-Insaf (PTI) government came to power, the country was facing a balance of payments crisis. There was talk of an immediate bailout from the International Monetary Fund (IMF) to deal with the dilemma, but even then the process took nearly 10 months to finalise.

Now, we have agreed on a deal with the IMF, where the Washington-based lender has offered a bailout package worth $6 billion over the next three years to meet our foreign debt obligations.

The uncertainty in the months leading up to the programme had an adverse impact on the economy. Nowhere is this more evident than in the stock market, which lost significantly on anticipation of a stringent IMF programme. Moreover, investor confidence took a hit as foreign direct investment (FDI) dropped 52% to $1.37 billion in first 10 months (Jul-Apr) of the current fiscal year due to economic uncertainty.

However, hard as it may be to believe, former finance minister Asad Umar claims that the current IMF deal is far less stringent than what was being offered back in October.

Addressing a gathering at The Second Floor (T2F) café on 'IMF & the Economic Future of Pakistan' on Sunday, Umar said: "I agree the conditions are extremely harsh, but they were tougher when we first met."

He said there was a general consensus that there was no other option other than the IMF, which might probably have been because we always went to the IMF or that we had never before faced such a balance of payments crisis.

However, defending his government's stance in the earlier months, he said: "We did exactly that we had claimed [before elections] to explore all options."

Sharing details on work behind the scenes, the former finance minister said that he contacted an IMF official just 10 days after he took oath. It was not decided then whether the country would avail a package, however, they were called on to discuss options.

"Within a month the team came and they conducted their evaluation. Later, I went to Bali and met with Christine Lagarde and told her we want to enter into an IMF programme."

Responding to allegations on delay in approaching the IMF, Umar said: "We were trying to create options for us, at a time when the US was making statements that IMF loans will not be given to Pakistan to pay off Chinese loans."

He was of the view that it was prudent to explore other options in such a situation, and following this Prime Minister Imran travelled to Saudi Arabia, UAE and China in hopes of securing additional funding – which he was successful in achieving.

"This was to create more negotiation room. Our talks with the IMF were ongoing, they never broke off."

To give an idea of how harsh the initial conditions were, Umar revealed that the IMF had demanded prior action of 600 basis points increase in the interest rate.

"The discount rate was supposed to go to 21 to 22%. I don't even want to tell you what they thought should actually happen to the rupee," he remarked.

The former finance minister reiterated that what has been signed was far less stringent than what was being proposed earlier.

Also speaking on the occasion, economist Akbar Zaidi was of the view that although the economy was in a precarious situation when the PTI government took charge, the incumbent government failed to improve the situation and in fact worsened it.

He said that there was no doubt that the country needed to go to the IMF but the PTI government looked to other avenues. They did not decide on how to take the economy forward.

"They took loans from friendly countries, which eventually kept on getting spent."

Zaidi said that of the 22 agreements that Pakistan has had with the IMF this was the most stringent. "This is largely because in the initial 10 months, this government did not understand the situation, which is why they couldn't handle the situation or find the solution."

He was of opinion that there was no road map or economic plan of the new government.

On the other hand, Umar claimed that the current government had been working tirelessly to improve the sit

Drawing comparisons, he said that when Ishaq Dar became finance minister, he had about seven and a half month worth of reserves to finance the current account deficit and even then they went into the IMF programme. In contrast, when Umar took oath he had just 20-day worth of reserves.

“Three months before I took charge, Pakistan had an average current account deficit of $2.03 billion a month, an annualised pace of $24.5 billon. In my last three months it was $636 million a month, an annualised pace of $7.5 billion.”

This he claimed was why the IMF said the economy had responded far quicker to the measures adopted by the government and then they started modifying their stance.

Umar further added that when faced with such circumstances no one can be expected to maintain 5.2% growth and not go bankrupt.

https://tribune.com.pk/story/1985668/2-imf-wanted-600bps-interest-rate-hike-asad-umar/

NEWS COVERAGE PERIOD FROM JUN 10TH TO JUN 16TH 2019

BUDGET 2019-20: IMF HAND CLEARLY VISIBLE IN BUDGET PROPOSALS

Nasir Jamal Updated June 12, 2019

IN its first full-year budget for the next fiscal year, the Imran Khan government is aiming to bring down the primary (budget) deficit to 0.6 per cent of GDP by focusing on plugging the loopholes in the indirect tax regime, withdrawing the tax exemptions to exporters and others, going after retailers, and blocking avenues of whitening illegal money through investments in property. The primary deficit is the difference between expenditures (net of debt servicing) and net federal revenues (after adding provincial surpluses). The overall fiscal deficit, however, is envisaged to remain at nearly the same level as this year’s.

The tax measures announced by Minister of State for Revenue Hammad Azhar in his budget speech propose to do away with the “non-filer regime” by making the failure to file tax return a punishable criminal offence, though late filers have been given the option to come onto the Active Taxpayer List, something that the law prohibited thus far. It also aims to bring all kinds of income — including but not limited to ‘gift income’ that was estimated to have reached Rs256 billion during the last financial year — into the direct tax net.

Broadly speaking, the suggested tax measures indicate an effort to shift the country’s tax policy from presumptive tax regime to normal tax regime and tighten the noose around tax dodgers and avoiders by aligning the budget proposals with the government’s tax amnesty scheme and the law prohibiting benami transactions.

Government proposes to do away with the non-filer regime by making failure to file tax return a punishable criminal offence

But it is only the first step. A lot still remains to be done to document the economy and realise the full potential of tax revenues. The tax proposals also attempt to ‘right the wrongs’ done by the Pakistan Muslim League-Nawaz in its last budget, according to the minister, and reverse the impact of its tax measures on the deteriorating fiscal situation of the government.

Overall, the tax proposals clearly indicate that it is an endeavour on the part of the new finance team, led by Adviser to the Prime Minister on Finance Dr Abdul Hafeez Shaikh, to meet the pre-conditions of the $6bn IMF facility that his government hopes to accede to after the passage of the finance bill. The International Monetary Fund had termed the budget 2019-20 a critical step in the (Pakistani) authorities' fiscal (stabilisation) strategy at the time of reaching the staff-level agreement with Islamabad last month. Simultaneously, the effort is aimed at implementing FATF (Financial Action Task Force) demands to cap the holes available for terror financing and money laundering.

While aiming to grow its tax revenues at the fastest pace in the country's history, the government has made an attempt to give a populist face to the budget by setting aside Rs271.5bn for the energy and other subsidies for the poor and low-income households in what is being dubbed "austerity" budget. Yet, by halving the income tax exemption ceiling to Rs600,000 it has wittingly or unwittingly brought a lot of burden on the fixed-income salaried classes who are already coping with the surging price inflation. The planned increase in the energy prices going forward as part of the IMF package will likely bring more pain for the middle-income groups, impacting on the PTI popularity in the urban centres of the country.

Overall, analysts describe the suggested tax measures as positive for movement towards documentation of the economy. "The budget is the best possible attempt in years in the direction of economic stabilisation and fiscal consolidation by streamlining the tax administration and moving from presumptive tax regime to normal tax regime," insisted Asif Qureshi, the chief executive officer of Optimus Capital Management. "Whether or not the government succeeds in implementing its policies to achieve the tax revenue target remains a question."

In spite of the hefty increase of Rs1,450bn in its tax target for the next year, projected provincial cash surplus of Rs423bn and some spending cuts to rein in bulging consolidated fiscal deficit, the gap between income and expenditure is estimated to rise to 7.2 per cent because of debt payments estimated to be Rs2,891.4bn.

Ali Asghar Poonawala, a financial analyst at AKD Securities, was of the view that the failure to collect the targeted tax would not be an option for the government. "The tax target is difficult to meet in a slowing economy where the government is trying to compress the demand further. The lower-than-target collection will mean steeper cuts in development expenditure or breach of the fiscal deficit target."

The doubts over the PTI government's ability to collect the target revenues are compounded by its confrontation with the lawyers over a reference sent to the Supreme Judicial Council against Justice Qazi Faez Isa of the Supreme Court and the start of a new round of its confrontation with the PPP and PML-N over the arrest of their key leaders — Asif Ali Zardari and Hamza Shahbaz — on alleged corruption charges at a time when it desperately needs the opposition's cooperation to stand faltering economy back on its feet.

But then the PTI leadership is not famous for choosing its fights wisely even when the situation on the ground demands its full focus on the economy. The opposition's mood during the budget speech is anything but a reflection of the things to come. The possibility of the businesses affected by the new tax measures joining the opposition against the ruling party could make the task of stabilising the economy even more difficult as the situation unfolds over the next several weeks or months.

Published in Dawn, June 12th, 2019

https://www.dawn.com/news/1487719/budget-2019-20-imf-hand-clearly-visible-in-budget-proposals

FY 2019-20: WORLD BANK REPORT SAYS PAKISTAN'S GROWTH LIKELY TO SLOW FURTHER TO 2.7 PERCENT

RECORDER REPORT | JUN 11TH, 2019 | ISLAMABAD

A re-escalation of tensions between Pakistan and India could increase uncertainty, depress confidence, and weigh on investment in the region, says the World Bank (WB). The WB in its latest report "Global Economic Prospects, heightened tensions, subdued investment" stated that military skirmishes between major South Asian countries in mid-February remained contained, and economic repercussions were minor. Skirmishes between India and Pakistan in February are a reminder that latent geopolitical tensions can flare up at any time.

Pakistan's growth is expected to slow further to 2.7 percent, in fiscal year 2019-20 with domestic demand remaining depressed. Current account and fiscal deficits are projected to diminish only gradually, the report maintained.

Pakistan's growth is estimated to decelerate to 3.4 percent in fiscal year 2018-19 (July 16, 2018 to July 15, 2019) from 5.8 percent in the previous fiscal year. The report further stated that on the production side, recent high-frequency data indicate a notable weakening in both manufacturing and agricultural sectors. Inflation increased considerably during the past fiscal year, reflecting currency depreciation. Recently, financial assistance from Gulf countries and China, as well as an International Monetary Fund (IMF) programme has helped partially rebuild confidence.

Fiscal deficits continue to exceed official targets in some countries (India, Pakistan). Supply bottlenecks such as infrastructure gaps, and relatively weak business climates continue to depress domestic and foreign investment potential in the region. Setbacks in reforms to address these issues would likely weigh on activity.

High external debt and low international reserves could limit the policy room to address external shocks in some countries (Pakistan, Sri Lanka). The outlook for South Asia over the forecast horizon is expected to remain solid. Regional GDP is expected to expand 6.9 percent in 2019, 0.2 percentage point down from previous projections owing to downward revisions for Pakistan, but to pick up to 7 percent in 2020 and 7.1 percent in 2021.

Domestic demand growth is expected to remain solid, with support from monetary and fiscal policies in some cases (such as India). The contribution of exports to economic activity is expected to remain weak with moderate global trade growth.

Workers' remittances are expected to help improve both growth performance and the current account balance next year, reflecting economic recovery in source countries. This, together with a broadly stable external environment and a reduction in macroeconomic imbalances, is expected to lead to an increase in growth to 4 percent beginning in fiscal year 2020-21.

South Asia, as a net oil-importing region, is vulnerable to oil price spikes. A sudden increase in oil prices would tend to worsen current account balances and elevate inflation in the region. South Asia is also vulnerable to the effects of climate change, such as natural disasters, which tend both to increase inflation and weigh on activity through supply disruptions, especially in the agricultural sector.

Activity is weaker in countries where policy uncertainty continues to discourage private investment (Mexico, Sri Lanka), and in countries that have tightened fiscal and monetary policies to reduce fiscal and current account deficits (Haiti, Pakistan, Tunisia).

The South Asia region continued to enjoy solid economic activity in 2018, posting 7 percent GDP growth due to robust domestic demand. Pakistan was a notable exception, with a broad-based weakening of domestic demand against the backdrop of tightening policies aimed at addressing the country's macroeconomic imbalances.

Regional growth is projected to remain close to 7 percent over the forecast horizon, as it benefits from strong private consumption and investment. The main risks to the outlook include a re-escalation of political uncertainty and regional tensions, financial sector weakness due to nonperforming assets, fiscal challenges, and a sharper than-expected weakening of growth in major economies.

Private consumption and investment remained robust in much of the region, offsetting a slowdown in Pakistan. Government spending growth moderated in 2018, expanding closer to historical averages following rapid growth in 2017. Net exports continued to contribute negatively to regional growth, with import growth remaining stronger than export growth amid solid domestic demand.

Regional inflation has remained moderate in most countries, partly reflecting broadly stable commodity prices. However, Pakistan has recently experienced a significant rise in inflation driven by currency depreciation, which was followed by several policy rate hikes over the course of fiscal year 2018-19.

Regional growth is projected to remain close to 7 percent a year over the forecast horizon, as it continues to benefit from strong private consumption and investment. The main risks to the outlook include a re-escalation of political uncertainty and regional tensions, financial sector weakness due to nonperforming assets, fiscal challenges amid elections in several countries, and a sharper-than-expected weakening of growth in major economies.

This slowdown reflects a broad-based weakening of domestic demand amid monetary and fiscal policy tightening designed to address macroeconomic imbalances, particularly large fiscal and current account deficits. These have contributed to a considerable decline in international reserves to levels that would cover less than three months of imports.

Uncertainty about the Brexit process poses a risk to some South Asian economies which have preferential trade agreements or generalized system of preferences with the European Union and significant exports to United Kingdom (Bangladesh, India, Pakistan, Sri Lanka). A no-deal Brexit could have a significant impact on exports of those countries to the UK in the absence of new trade agreements.

https://fp.brecorder.com/2019/06/20190611485018/

'IMF SHOULD REVISIT ITS CONDITIONS'

RECORDER REPORT | JUN 11TH, 2019 | KARACHI

Five zero-rated exports sectors on Monday sought media support to help convince the federal government to withdraw the sales tax proposed in the forthcoming fiscal budget 2019-20. They suggested that the IMF should also revisit its conditions since the move would unleash economic disaster.

The representatives of the all the zero-rated exports sectors expressed their views at a press conference at Karachi Press Club. They said they would chalk out future line of action soon after the next fiscal budget 2019-20. Zubair Motiwala, chairman Council of All Pakistan Textile Association spearheaded the joint press conference. He sought media support to help cancel out the proposed sales tax valuing 7.5 percent on the exports of zero-rate sectors.

On behalf of leather, sports, surgical goods, carpet and value-added textile sectors, he said that the government's move would not only scale back their manufacturing but also threaten the existing employment. He asked the government to register wholesalers and retailers selling leather, surgical, sports goods and textile and carpet products on the local markets first so that the exporters could get relief from the undesired taxing.

The industry also facing with shortage of gas, electricity and water, besides law and order issues, he said, adding that "under such circumstances it will be further hard for the local exporters to increase exports". He warned that taxing plan would wash out SMEs while a fall in exporters for up to 30 percent would immediately strike the economy. He said that the same tax should only be restricted to wholesale and retail sectors and export sectors should be spared.

"Some 80 percent textile is exported while 20 percent is sold in the local market, 100 percent of leather products and 90 percent of surgical are exported," Motiwala said, adding that the blanket sales tax imposition would bring about a disaster for the country's big exporting sectors. He also rejected the government's condition for claiming rebate on sharing the goods declaration (GD) instruments to the tax officials. He said that it is a lengthy process that is completed in six months.

He said that the country's exports may grow 20 percent in fiscal year 2019-20 if the sale tax was not imposed on the five zero-rated sectors. He said that without bringing the wholesale and retail sectors into the tax net the issue would continue to haunt the national economy.

"The primary issue lies with the government: the cash flow that is now being met through such taxations," he said, adding that such a plan has its negative implications as well. The dollar appreciation helped the country increase its exports base by 29 percent in term of rupee value.

Fawad Ijaz Khan, patron-in-chief Pakistan Leather Garments Manufacturers & Exporters Association said that the basic issue is liquidity crunch with the trust deficit between the government and the exports sectors. He expressed concerns that no bank is ready to finance the leather industry. He said that the sales tax exemption to leather sector is being ended with a proposed amendment to the schedule 6.

Javed Bilwani, chairman Pakistan Hosiery Manufacturing and Export Association (PHMA) said that the five zero-rated exports sectors would give their reaction soon after the budget. He said that the sales tax at a rate of 7.5 percent would result in backlogging of 50 percent of the exporters' liquidity with reducing the profit margin.

Those participated were: Chairmen and representatives of Council of All Pakistan Textile Associations, Pakistan Apparel Forum, Pakistan Hosiery Manufacturers & Exporters Association, Pakistan Readymade Garment Manufacturers & Exporter Association, Towel Manufacturers Association of Pakistan, Pakistan Knitwear and Sweater Exporters Association, All Pakistan Textile Processing Mills Association, Pakistan Cotton Fashion Apparels Manufacturers & Exporters Association, Pakistan Textile Exporters Association, Pakistan Bedwear Exporters Association, Pakistan Cloth Merchant Association, Pakistan Denim Manufacturers & Exporters Association, All

Pakistan Textile Sizing Industry Association, All Pakistan Bedsheets & Upholstery Manufacturers Association, Pakistan Weaving Mills Association, All Pakistan Cotton Power Looms Association, Council of Loom Owners Association, Pakistan Leather Garments Manufacturers & Exporters Association, Pakistan Carpet Manufacturers & Exporters Association, Pakistan Tanners Association, Pakistan Sports Goods Manufacturers & Exporters Association and Surgical Instrument Manufacturers Association of Pakistan. They also registered protest against the proposed sales tax outside the Karachi Press Club.

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GAS LEAKAGE: FACTORY WORKER DIES, TWO HOSPITALISED

THE NEWSPAPER'S STAFF REPORTER Published Jun 13, 2019

LAHORE: A young worker died while two others were hospitalised in critical condition after leakage of ammonia gas in a factory near Krol Ghati, Band Road, here on Wednesday.

According to the police, Junaid (23) and his fellow workers Javed and Usman were present in the basement of the pickle manufacturing unit when the gas started leaking.

They said the leakage was so severe that the basement was filled with the toxic gas in no time, leaving the three workers unconscious. Alarmed by the situation, the factory management called police and the Rescue 1122 emergency service.

According to the rescuers, they rescued three unconscious young men from the factory's basement who were having breathing complications.

They said one of them later expired, while the remaining two were hospitalised in serious condition.

A police official said it was being probed into whether the incident occurred because of negligence on the part of the factory owner or it was just an accident.

Published in Dawn, June 13th, 2019

https://www.dawn.com/news/1487846/gas-leakage-factory-worker-dies-two-hospitalised

EFFORTS AFOOT TO DO AWAY WITH MENACE OF CHILD LABOUR: BUZDAR

RECORDER REPORT | JUN 12TH, 2019 | LAHORE

Punjab Chief Minister Sardar Usman Buzdar on Tuesday said that the Punjab government is taking comprehensive steps through effective legislation to overcome the menace of child labour in the province. In his message on World Day against Child Labour, he averred that complete elimination of child labour is the government's mission and every effort will be made in this regard so that the children could remain safe from this social menace.

"This day requires that every segment of the society should play its effective role to save the society from this menace. The purpose of observing this day is to educate the people about the hazardous effects of the child labour. We should also reiterate our commitment and accelerate our efforts of eliminating the child labour from the society," the Chief Minister concluded.

According to him, child labour is a socio-economic issue with multiple factors behind but it is a criminal offence. "Protection of the rights of children is a collective responsibility of the society. Children are national asset and giving attention to their upbringing and education is a responsibility of every person," he added.

Meanwhile, the CM expressed a deep sense of sorrow and grief over the loss of precious human lives in an accident on motorway near Hafizabad. He expressed heartfelt sympathies with the bereaved heirs. He directed the administration to provide best medical facilities to the injured and sought a report from the administration. He also expressed a deep sense of sorrow and grief over the loss of precious human lives in an accident in Winder area of Balochistan. He expressed heartfelt sympathies with the heirs and prayed for early recovery of the injured.

https://fp.brecorder.com/2019/06/20190612485331/