January 2019

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

STATE BANK RECEIVES $1BN FROM UAE

Shahid Iqbal Updated January 25, 2019

KARACHI: The State Bank of Pakistan (SBP) received $1 billion from the UAE on Thursday following an agreement with the Abu Dhabi Fund for Development (ADFD) in Abu Dhabi on Jan 22.

The ADFD has agreed to provide $3bn to Pakistan in three instalments to help bridge the country's current account deficit.

"The SBP has received $1bn from UAE today," said Chief Spokesman SBP Abid Qamar.

Prior to this, Pakistan had approached China and Saudi Arabia for funds to avoid a balance of payments crisis. The country's current account deficit rose to $7.9bn in the first half of the current fiscal year and is likely to reach $16-18bn by June 30.

Finance Minister Asad Umar, while presenting the mini-budget in the parliament on Wednesday, remarked that the government may also enter into an International Monetary Fund led programme. However, he also said that the government is not in a hurry as it is considering other options including bilateral support.

The government signed a similar deal of $3bn with Saudi Arabia earlier and the kingdom has so far placed $2bn in the SBP account whereas the last tranche of $1bn is expected in February. Saudi Arabia also agreed to supply oil worth $3bn on deferred payments.

Moreover, according to media reports following prime minister's visit to Doha earlier this week, the government has also requested Qatar to supply LNG to Pakistan on a deferred payment mode. However, no official announcement was issued by the government. Pakistan's annual LNG imports during the last fiscal year clocked in at $2.035bn.

Funds from Saudi Arabia and the UAE have had no impact on the exchange rate; however, a slight change was observed in the open-market following SBP's agreement with the UAE. "The fluctuation of 20-30 paisa does not matter but the situation has improved and will improve with more inflows from the UAE," said President Forex Association of Pakistan Malik Bostan.

On the other hand, inward remittances during first half of the ongoing fiscal year recorded 12pc growth and are likely to increase further once Qatar agrees to provide employment opportunities to 100,000 Pakistani labourers.

According to the data released by the central bank, SBP's foreign exchange reserves during the week ending Jan 18 fell by $265 million to $6.36bn.

Holdings of commercial banks jumped by $33m to $6.621bn while the country's total liquid reserves stood at $13.257bn during the period under review.

The first tranche of $1bn of the promised $3bn from the UAE was received on Thursday, accounting for which the SBP reserves should stand at $7.36bn and total reserves at $14.257bn.

Published in Dawn, January 25th, 2019

https://www.dawn.com/news/1459656/state-bank-receives-1bn-from-uae

FRANCE GIVES €130M LOAN FOR PESHAWAR BUS PROJECT

Amin Ahmed Updated January 23, 2019

ISLAMABAD: The French government has decided to provide a soft loan of 130 million euros (Rs19.5 billion) for the Peshawar Sustainable Bus Rapid Transit Corridor Project.

Economic Affairs Division Secretary Noor Ahmed, Ambassador of France Marc Barety and Country Director of the French Development Agency (AFD) Jacky Amprou signed the credit facility agreement here on Tuesday.

The Executive Committee of National Economic Council had approved the revised PC-1 of the project in November last year, while the federal cabinet accorded approval to the signing of the agreement with the AFD early this month. The AFD and Asian Development Bank have co-financed the project.

The revised cost of the project is Rs66.437bn ($593m), including foreign exchange component of Rs53.32bn shared by the ADB and AFD. The project will contribute to the government’s strategy to resolve the issues of urban transportation.

It will provide safe, efficient and comfortable user-friendly mass transit system, which will be well integrated with the existing transport facilities. It will also help in improving energy efficiency and air quality through reduction of greenhouse gas emissions.

To date, the AFD has committed 880m euros financial support, while the Peshawar project will open new avenue of collaboration in the urban development sector, according to the French embassy in Islamabad.

France through the AFD is working in Pakistan, providing technical and financial support to develop low-carbon infrastructures.

The AFD is an inclusive public financial institution and the main actor in France’s development policy. It makes commitments to projects that genuinely improve the everyday lives of people, in developing and emerging countries and in the French overseas territories.

It has been fighting against poverty around the world for over 75 years by supporting policies and investments that benefit the poorest populations. Strengthening social ties between individuals, groups and territories is now central to its projects in the sectors of education, health, employment, urban planning and climate.

Published in Dawn, January 23rd, 2019

https://www.dawn.com/news/1459245/france-gives-130m-loan-for-peshawar-bus-project

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

UAE, PAKISTAN FORMALISE $6.2BN BAILOUT PACKAGE

Syed Irfan Raza January 07, 2019

ISLAMABAD: The red carpet was rolled out for Crown Prince of Abu Dhabi and Deputy Supreme Commander of United Arab Emirates armed forces Sheikh Mohammed bin Zayed Al Nahyan here on Sunday, weeks after the UAE offered $3 billion to support Pakistan's battered economy.

In a rare gesture, Prime Minister Imran Khan received the crown prince at Noor Khan Airbase and personally drove him to PM House where the official welcoming ceremony was held

A contingent of armed forces presented a guard of honour to the visiting dignitary, who reviewed the parade. The national anthems of both the countries were played. A formation of JF-17 Thunder aircraft presented an impressive fly-past to the crown prince. He was given a 21-gun salute at the airbase.

Red carpet rolled out for Abu Dhabi crown prince; Imran drives Sheikh Mohammed from Noor Khan Airbase to PM House

Crown Prince Sheikh Mohammed turned his private hunting trip into official visit and formalised a $6.2 billion bailout package promised to the Pakistan Tehreek-i-Insaf (PTI) government to help support the country's economy.

"The crown prince was in the country for last two days on his annual hunting trip in Rahim Yar Khan, and on conclusion of his private visit he met Prime Minister Imran Khan to further cement bilateral ties between Pakistan and the UAE," Information Minister Fawad Chaudhry told Dawn after the departure of the prince.

He said that during the crown prince's visit, the UAE had formalised $3bn loan on 2.8 per cent interest rate as well as $3.2bn for supply of oil on deferred payment.

The UAE government had announced the bailout package during Prime Minister Khan's visit to Dubai in November last year. The two countries had last week finalised the terms and conditions of the $6.2bn support package for Pakistan to help address its balance of payments crisis.

The UAE package is said to be of the same size and terms and conditions as those given by Saudi Arabia. With the new package, Pakistan is expected to save a total of $7.9bn on oil and gas imports from the two friendly countries — accounting for over 60pc of the annual oil import bill worth $12-13bn.

It was the first official visit of the Abu Dhabi crown prince to Pakistan in nearly 12 years and the two sides met for the third time in four months as Prime Minister Khan had visited the UAE twice after assuming office in August to seek economic assistance.

The crown prince was accompanied by a high-level delegation comprising cabinet members and senior officials. He was accorded a ceremonial reception at the Prime Minister House, which was followed by a tête-à-tête and delegation-level talks.

Both leaders held wide-ranging talks focusing on all areas of bilateral relations. The prime minister briefed the crown prince on the situation in India-held Kashmir and the plight of Kashmiris.

The two leaders underscored the importance of effectively pursuing various initiatives taken for a strengthened strategic bilateral economic relationship, including working on a long-term investment framework agreement. They also resolved to take all measures to deal with matters related to trade enhancement, and decided to form a task force to achieve this objective.

Prime Minister Khan thanked the UAE for the generous $3bn balance of payments support and noted that this financial support showed the UAE’s continued commitment and friendship that remained steadfast over the years. He also welcomed the UAE’s interest in investing in Pakistan’s oil and gas, logistics, ports and construction sectors.

Both leaders expressed the hope that the forthcoming meeting of the Pakistan-UAE Joint Ministerial Commission, to be co-chaired by foreign ministers of the two countries in Abu Dhabi in February, would play a pivotal role in chalking out a comprehensive roadmap and expediting approval of pending agreements and memoranda of understanding.

They expressed satisfaction over the ongoing defence and security cooperation and resolved to explore further collaboration in the areas of training, joint exercises and defence production. Both leaders strongly condemned terrorism in all its forms and manifestations and expressed their resolve to work closely to root out this scourge.

The crown prince recognised the efforts and unparalleled sacrifices made by Pakistan to eliminate terrorism and extremism.

Prime Minister Khan thanked the UAE leadership and its people for their continued commitment to Pakistan’s socioeconomic development and eradication of polio from the country.

In order to counter white-collar crimes, including money laundering, the two leaders directed the authorities concerned to expedite the finalisation of a mutual legal assistance agreement.

The prime minister briefed the crown prince about the efforts Pakistan was making to support and facilitate Afghan-owned and Afghan-led reconciliation process. He also appreciated the role of the UAE in hosting reconciliation talks in Abu Dhabi.

The two leaders agreed to work closely for a lasting peace and stability in Afghanistan.

During the delegation-level talks, Prime Minister Khan led the Pakistani team comprising Foreign Minister Shah Mehmood Qureshi, Finance Minister Asad Umar, Information Minister Fawad Chaudhry, Minister of State for Interior Shehryar Afridi and Foreign Secretary Tehmina Janjua. Crown Prince Sheikh Mohammed bin Zayed led the UAE side.

Finance Minister Umar told the media after the meeting that the talks focused on a long-term economic cooperation between the two sides as Pakistan wanted enhanced trade and investment from the brotherly country instead of asking for bailout package.

“The world’s biggest investors are in the UAE and Saudi Arabia and we want to attract them for investment in Pakistan,” he said, adding: “These bailout packages from the UAE and Saudi Arabia are mere breathers so that Pakistan can come out of the prevailing crisis, but we are eying on long-term measures that include more trade opportunities and investments in Pakistan.

The minister said the issue of outstanding dues to be paid by UAE firm Etisalat to Pakistan was also discussed.

In July 2005, Etisalat had bought 26pc shares in the Pakistan Telecommunication Company Limited.

“Besides fresh investment deals, we also want to remove problems in previous investments,” Mr Umar.

Talking about reports of another mini-budget to be announced soon, he said it would not be a mini-budget but implementation of the recommendations made by five committees of the Economic Advisory Council (EAC) formed by the PTI soon after coming to power. “We do not want to wait for the next budget for implementation of those beneficial suggestions that will help enhance trade and investment in the country,” he added.

Unprecedented foolproof security clamp was put in place on arrival of Crown Prince Sheikh Mohammed bin Zayed in Islamabad. More than 4,500 police personnel were deployed and Metro Bus service was temporary halted.

Around 150 well-trained snipers were deployed on rooftops of buildings on the VVIP route and 400 commandoes of the Rawalpindi police in their respective jurisdictions. Link roads along the VVIP route were plugged with barbed wires and the Blue Area was blocked for traffic.

https://www.dawn.com/news/1455942/uae-pakistan-formalise-62bn-bailout-package

NEWS COVERAGE PERIOD FROM DEC 31ST TO JAN 6TH 2019

PAKISTAN, UAE FINALISE $6.2BN SUPPORT PACKAGE

The Newspaper’s Staff Reporter Updated January 05, 2019

ISLAMABAD: Pakistan and the United Arab Emirates (UAE) have finalised the terms and conditions of a support packageof about $6.2 billion expected to be announced by Crown Prince Sheikh Mohammed bin Zayed Al Nahyan during his visit to the country starting on Sunday (Jan 6) to help Islamabad address its balance of payments challenge.

The package involves $3.2bn worth of oil supplies on deferred payment, besides a $3bn cash deposit, a cabinet member told Dawn.

He said the UAE’s package was exactly of the same size and terms and conditions as given by Saudi Arabia. The UAE package was finalised on Thursday evening, he said.

With this, Pakistan would get a total saving of about $7.9bn on oil and gas imports from the two friendly countries — accounting for more than 60 per cent of annual oil import bill of about $12-13bn, he said. This includes about $3.2bn each of oil supplies on deferred payments from the UAE and Saudi Arabia and about $1.5bn trade finance from the International Islamic Trade Finance Corporation (ITFC).

The total financing support from the UAE and Saudi Arabia, including the ITFC’s trade finance, would be around $13.9-14bn when cash deposits of $3bn each from the two countries were also included, he said.

This is in addition to a deep-conversion oil refinery to be set up by Parco — a joint venture of Pakistan and Abdu Dhabi — worth $5-6bn at Khalifa Point and an expected petro-chemical complex by Saudi Arabia at Gwadar Oil City.

On top of that, the government has also started backchannel discussions with Qatar for some relief in terms of reduction in LNG prices or a relaxed payment schedule, but that is now at an early stage.

In reply to a question, the cabinet member said Pakistan was deepening relationships with all three friendly Islamic nations without compromising bilateral ties for geo-political reasons.

He said the UAE crown prince would be paying a two-day visit, adding that all arrangements had been finalised in this regard.

He said Saudi Crown Prince Mohammad bin Salman was expected to arrive in the country in the first week of February and an MoU for establishing a petro-chemical complex was still being worked out on the request of Riyadh.

Pakistan has already received $2bn in cash deposit from Saudi Arabia at an interest rate of 3.18pc while the third tranche of $1bn is due in the first week of February. The Saudi oil facility would also start rolling out this month with an average $274 million per month.

Pakistan is currently importing about eight cargoes of LNG every month, costing $4.2 to $4.5bn a year and more than one-third of this could be financed through ITCF support. With support from Qatar, Pakistan is expecting about $9bn cushion in total oil and gas import bill.

https://www.dawn.com/news/1455585/pakistan-uae-finalise-62bn-support-package

PAKISTAN TO GET ANOTHER $1B FROM SAUDI ARABIA THIS MONTH

By Our Correspondent Published: January 3, 2019

ISLAMABAD: A parliamentary panel was informed on Wednesday that Pakistan would receive another tranche of $1 billion from Saudi Arabia in the current month.

Briefing the Senate Standing Committee on Finance, Additional Finance Secretary Mohammad Sohail said the United Arab Emirates (UAE) had committed to deposit $3 billion in the State Bank of Pakistan (SBP) in order to give a cushion to Pakistan’s balance of payments.

Responding to a question, the secretary told the committee, chaired by Farooq H Naek, that negotiations with China on financial assistance were under way. He said Pakistan had hoped for an encouraging response from China, adding that Saudi Arabia had already given $2 billion whereas another $1 billion was expected soon to support the balance of payments.

The committee decided to send the Banking Companies’ (Amendment) Bill 2018, moved by Senator Raza Rabbani, to the Senate for its passage with the consent of its members despite opposition from the central bank. The bill seeks the deletion of Section 27b from the Banking Companies Ordinance 1961, which limits union activities in the banking sector.

Rabbani argued that the section violated the spirit and rights conferred by Article 17 of the Constitution and was in violation of provisions of the International Labour Organisation (ILO) as Pakistan was a signatory.

He pointed out that the section was also contrary to provisions of the Industrial Relations Ordinance (IRO), which allowed for 25% of members of trade unions from outside the organisation. A report of the Justice Shafiur Rehman Commission has also recommended the deletion of the section.

Earlier, during discussions on the amendment bill and responding to a question from committee members, a senior SBP official contended that Section 27b of the Banking Companies Ordinance 1962 did not prohibit union activities and it was introduced in 1997 to protect the depositors' interest against union activities.

He pointed out that union activities were carried out with the active support of outside elements, which led to the insertion of Section 27b.

"The unfortunate state of affairs prevailing in the banking industry prior to 1997 explain the significance of the section as politicised and disgruntled elements, mostly outsiders, were misusing union platforms for promoting their personal interests at the cost of depositors' money," he said.

These elements, he added, were misusing bank facilities like telephones, cars and other resources and a situation of complete anarchy and chaos had prevailed all over the banking industry.

The situation led to a growing feeling among bankers, regulatory authorities, the government and the general public that some suitable and reasonable legal means should be adopted to prevent the unlawful acts being carried out under the garb of trade union activity. He said the section was introduced to stop the misuse of bank resources for union activities, the carrying of weapons into banks, carrying out union activities during office hours, subjecting bank officials to physical harassment or abuse, and non-employees from being office-bearers of the unions.

The official said the SBP had also responded to the ILO through the Ministry of Finance and informed it that union activities were not restricted if the set parameters in the section were followed.

Senator Muhammad Ali Khan Saif also presented an agenda item to draw the attention of the committee towards the problems being faced by advocates and politicians in opening bank accounts. The committee asked the SBP to suggest proposals in the next meeting about how to streamline the procedure for opening the bank accounts.

The committee also discussed a private member bill titled 'Maternity and Paternity Leave' moved by Senator Quratulain Marri and directed the Law Division and the mover to prepare a comprehensive law, which would be presented in next meeting of the committee.

Published in The Express Tribune, January 3rd, 2019.

https://tribune.com.pk/story/1880192/2-pakistan-get-another-1b-saudi-arabia-month/

February 2019

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

UNDP PLEDGES $30M FOR YOUTH DEVELOPMENT

Published: February 21, 2019

ISLAMABAD: Prime Minister Imran Khan on Wednesday said the government will play a major role in mainstreaming marginalised youth by scaling up youth empowerment initiatives of the United Nations Development Programme (UNDP).

The Prime Minister was talking to his Special Assistant on Youth Affairs Muhammad Usman Dar and UNDP's Resident Representative in Pakistan Ignacio Artaza, PM office media wing in a press release said.

The Prime Minister was briefed on UNDP's Youth Empowerment Programme (YEP), which, in collaboration with Prime Minister's Youth Programme is aimed at supporting youth engagement and empowerment initiatives across Pakistan over a period of five.

The UNDP has also pledged $30 million for education, employment and social engagement of Pakistani youth. The Prime Minister appreciated the UNDP for its continued commitment and engagement with the government of Pakistan for education, employment and skills development of the youth of the country.

Muhammad Usman Dar informed the premier about his office's joint efforts with UNDP to engage youth groups and stakeholders on the government's upcoming youth initiatives, such as the first-ever National Youth Conference, National Youth Development Index and National Youth Development Programme.

He appreciated UNDP's technical and resource assistance for the government's efforts to design the National Youth Development Programme that would serve as an umbrella platform for all youth-focused initiatives of the government.

Dar had recently joined as co-chair of the UNDP Youth Empowerment Programme's Steering Committee. He expressed the hope that their institutional partnership would serve to align their shared objectives for Pakistani youth's meaningful engagement, quality education and gainful employment.

Dar also briefed the Prime Minister about "Taleemi Razakar" Programme and efforts to integrate madrassah students into mainstream by providing them greater opportunities.

Youth Empowerment Programme is aimed to promote youth empowerment by reducing young women and men's vulnerability and exclusion through a three-pronged approach; jobs/economic empowerment, social engagement and education/skills development.

The programme aims to promote youth empowerment by reducing young women and men's vulnerability and exclusion through a three-pronged approach which include job empowerment, social engagement and education and skill development. YEP also aims to empower 200,000 marginalised and excluded youth (50% women) across the country.

https://tribune.com.pk/story/1914983/1-undp-pledges-30m-youth-development/

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

CHINA COMES TO PAKISTAN'S RESCUE WITH $2.5B LOAN

By Shahbaz Rana Published: February 2, 2019

ISLAMABAD: China has agreed to provide $2.5 billion in loans to Pakistan to boost official foreign exchange reserves that are not sufficient to provide cover to even two months of imports despite receiving $4 billion loans from two Middle Eastern countries.

"Beijing will place the $2.5 billion in deposits with the central bank," a top government functionary told The Express Tribune. With the anticipated $2.5 billion deposits, China's contribution in this fiscal year alone would surge to $4.5 billion.

In July, China had also deposited $2 billion with the State Bank of Pakistan. In the past five years, China has emerged as Pakistan's single largest saviour in times of economic crisis.

The money is coming as part of the government's strategy to secure breathing space till the time its macroeconomic stabilisation measures take effect.

After coming into power, Prime Minister Imran Khan had visited China, Saudi Arabia and the United Arab Emirates to arrange emergency loans to avoid a looming default.

Resultantly, Pakistan has secured $14.5 billion worth of commitments from these three countries that have helped largely bridged the external financing gap of the ongoing fiscal year.

Before coming into power, Khan was critical of taking loans to run the country but due to extremely low level of foreign currency reserves and financing requirements standing above $25 billion, the premier had to fly to Beijing and other capitals to seek loans.

Saudi Arabia has agreed to provide a $6 billion financial assistance package, which included $3 billion in short terms loans at an interest rate of 3.18%.

The State Bank of Pakistan (SBP) Governor Tariq Bajwa on Thursday said the modalities for $3 billion oil on deferred payments were finalized this week and an agreement would be signed on February 16 during the visit of Saudi Crown Prince Mohammad bin Salman. RIyadh has already disbursed $3 billion.

The UAE has agreed to provide $3 billion in loans at an interest rate of around 3% and has already disbursed $1 billion. A $3.2 billion worth of oil facility on deferred payment is being awaited.

Pakistan has arranged these deposits for a term of one to three years but these are likely to be rolled over, in case Islamabad faces difficulties to return them, said the sources in the Finance Ministry.

But despite $4 billion inflows from Riyadh and UAE during past two months, the gross official foreign currency reserves stayed at only $8.12 billion as of December 25, according the SBP governor.

The $8.12 billion reserves are sufficient to cover only seven weeks of imports and are below the minimum level that the International Monetary Fund and World Bank prescribe. Due to this, the World Bank and the Asian Development Bank are not providing loans for budget financing.

Sources in the Finance Ministry said the immediate concern for the government is to keep the country financially afloat till the time the macroeconomic stabilisation measures start yielding positive results.

However, the SBP governor on Thursday said despite these measures the current account deficit remained high, standing at $8 billion in six months.

The overall foreign loans disbursements also remained low during first half of the fiscal year, standing at only $2.2 billion from July through December.

The government on Thursday also launched Diaspora bonds at interest rates of 6.25% for three years and 6.75% for five years to arrange funds for balance of payments support.

Finance Minister Asad Umar said the other day that he also gave go ahead to launch two more financial instruments to meet external sector financing requirements. One instrument, likely to be Sukuk bond, could be launched before June, according to the Finance Ministry officials.

The sources said the government is planning launching foreign currency Sukuk to tap the Islamic markets. There is also a plan to launch $3 billion Eurobonds during the current fiscal year. Asad Umar had postponed it in November after the government arranged loans from the three countries.

The Pakistan Tehreek-e-Insaf (PTI) government blames expansionary fiscal policies of the last Pakistan Muslim League-Nawaz (PML-N) government for the overvalued exchange rate and the current external sector problems. Since July, the rupee has been devalued by more than 15% but exports could not pick.

The sources said the Finance Ministry and the central bank are in the process of implementing a flexible exchange rate regime while moving away from the managed exchange rate policy.

https://tribune.com.pk/story/1902080/1-china-comes-pakistans-rescue-2-5b-loan/

March 2019

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

FISCAL YEAR 2018-19: COUNTRY RECEIVES $2.941 BILLION FOREIGN AID IN EIGHT MONTHS

TAHIR AMIN | MAR 29TH, 2019 | ISLAMABAD

The country provisionally received $2.941 billion foreign assistance in the first eight months (July-February) of current financial year 2018-19 against $7.608 billion during the same period of last year (2017-18), showing a reduction of about 62 percent.

The assistance received as tabulated by the Economic Affairs Division (EAD) does not include the 3 billion dollars received from Saudi Arabia, 2.2 billion dollars from China and 2 billion dollars from United Arab Emirates this year with another one billion dollar pledges by UAE in the current fiscal year.

EAD data shows that the Pakistan Tehreek-e-Insaf (PTI)-led government did not borrow from foreign commercial banks in February, 2018-19. However, the country borrowed a total of $499.44 million from foreign commercial banks during the first seven months of the current fiscal year compared to $1.777 billion during the same period last 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 the 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 $225.15 million including $220.51 million loans and $4.64 million grants in February.

Asian Development Bank (ADB) disbursed $19.25 million in February bringing the total disbursement to $376.11 million in the current fiscal year against the budgeted estimates of $1.38 billion for the entire year.

The country received $85.32 million from China in February, bringing the total to $1.209 billion in the current fiscal year against the budgeted estimate of $840.99 million. The amount does not include the 2.2 billion loan recently received form China.

USA disbursed $51.46 million, International Development Association (IDA) $142.83 million, IDB (S-Term) $388.82 million, UK $76.42 million, France $44.14 million, Japan $47.75 million and Germany $14.15 million in the current fiscal year so far.

The previous government had budgeted $2 billion from foreign commercial banks for 2018-19. 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 loan agreement was signed on June 21, 2018 i.e. during the caretaker government.

The Suisse AG disbursed $50 million out of its total commitment of $750 million in July. This loan agreement was signed during the PML-N government on May 9, 2018. However, no commercial loans were taken during August 2018. 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 i.e. by the PTI government, but the government has crossed the figure and received $245 million so far.

Finance Minister Asad Umar on March 13, 2019 informed the National Assembly Standing Committee on Finance that the government expects to borrow more than last year's total and is estimated to be around $5.6 billion from multilaterals in the current fiscal year.

Umar rejected the impression that multilateral sources have slashed the funding for Pakistan. However, the current pace of inflow is indicating that the country is unlikely to achieve foreign assistance estimated for the current financial year.

https://fp.brecorder.com/2019/03/20190329459349/

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

GOVT FAILS TO SECURE $3.2B UAE OIL FACILITY

By Shahbaz Rana Published: March 14, 2019

ISLAMABAD: Pakistan has not been able to secure $3.2 billion oil on deferred payments facility from the United Arab Emirates (UAE) – a major development which may again bring under stress official foreign currency reserves that have so far been maintained with help of friendly countries.

"Most probably, the UAE oil facility agreement will not materialise," Finance Minister Asad Umar on Wednesday confirmed to The Express Tribune. But he hastily added that the government has made alternative arrangements to meet its external financing needs for this fiscal year.

The reasons for cancellation of the $3.2 billion oil facility by the UAE could not be immediately ascertained. Last month, the UAE had also postponed a scheduled meeting of the Joint Ministerial Commission.

The $3.2 billion oil facility was part of the $6.2 billion that the UAE had announced to give to Pakistan in December to help the country passing through difficult economic times. The UAE has already transferred $2 billion cash into the coffers of the State Bank of Pakistan (SBP) and another $1 billion was expected very soon.

During the visit of UAE crown prince, Pakistani authorities had hoped that the crown prince would announce the $3.2 billion credit oil facility following the same model of Saudi Arabia. Later on, the February deadline was given that was also missed.

It will be a setback for the Finance Ministry that had declared fully bridging the financing gap on back of $14.5 billion financial support from the UAE, Saudi Arabia and China. So far, only Saudi Arabia has given $3 billion in cash and its oil facility on deferred payments has also been finalised.

The development came amid a delay in finalisation of an agreement with the International Monetary Fund (IMF). The negotiations with the IMF are continued since October last year. Two ($2) billion dollar loans are also expected from China next week, said the Finance Ministry that tried to downplay the cancellation of $3.2 billion UAE oil facility.

The $3.2 billion UAE oil facility was expected to take the pressure off from the foreign exchange market besides stabilising the official foreign currency reserves. Pakistan arranged $3 billion cash from Saudi Arabia at 3.2% interest rate. The UAE cash support has been secured for a period of two years at an interest rate of 3%, according to a written reply that Asad Umar submitted in the Senate last week.

The official foreign currency reserves stood at $8.1 billion as of end of last week that is inclusive of Saudi Arabian, Chinese and UAE cash assistance.

“The International Islamic Trade Finance Corporation (ITFC) deferred facility has already been operationalised, which will offset any impact of a delay or non-availability of the UAE facility,” said Dr Khaqan Najeeb, adviser and spokesperson of the Ministry of Finance. He said the government has worked diligently to ensure that $1 billion of the ITFC will be utilised in this fiscal year.

The spokesperson said $3.2 billion Saudi oil deferred facility was being operationalised and all relevant agreements were in place. In addition, adequate financing was in place for current fiscal year and beyond, said Dr Najeeb.

The government continues to follow a multipronged strategy to ensure continued stability in the country’s balance of payment (BOP) position. The strategy has included attracting more foreign direct investment, sale of assets and bilateral and multilateral flows, said Dr Khaqan Najeeb.

He said as part of this strategy, all the maturing short-term commercial loans have either been refinanced or rolled over, which will help keep the pressure off from the reserves. It is assumed that the country’s net foreign exchange reserves are negative by close to $10 billion.

Asad Umar on Wednesday did not disclose the exact figures of Net International Reserves (NIR) held by the SBP. While responding to a question during a meeting of the National Assembly Standing Committee on Finance, the finance minister said when the Pakistan Tehreek-e-Insaf (PTI) government came into power, “We were effectively at default stage but I will not share further details.”

To a question about slow disbursement from multilateral creditors especially from the World Bank, Umar said the delay in disbursement was an issue but measures have been taken to address the root causes. He said the policy loans from international creditors were suspended from the period of the last regime because of insufficient foreign currency reserves.

The Finance Ministry spokesman said the government has also launched Pakistan Banao Certificate, a first ever retail offering to Pakistanis abroad that will help raise money for balance of support. He said the government is also working on diversifying its investor base through issuance of a Panda bond.

Pakistan and the IMF negotiations remain inconclusive despite the urgency due to lack of external financing in the next fiscal year, starting from July.

Asad Umar said the IMF is demanding free float of exchange rate but the government wants to move ahead towards this objective in a phased manner. “The timing and pace of adjustments on flexible exchange rate was a matter of difference but now the differences have narrowed down,” he said.

The minister said increasing inflationary pressures is a big worry for the government as stabilisation under the IMF programme would require adjustments. He feared that the people will have to go through the pain as a result of these adjustments.

https://tribune.com.pk/story/1928920/2-govt-fails-secure-3-2b-uae-oil-facility/

UAE DEPOSITS SECOND $1B TRANCHE IN SBP RESERVES

By Salman Siddiqui Published: March 12, 2019

KARACHI: The United Arab Emirates (UAE), one of the top friendly countries, on Tuesday deposited a second tranche of $1 billion into the State Bank of Pakistan's (SBP) foreign currency reserves to help ease international payment pressure on Islamabad.

"Yes, we have received $1 billion from the UAE," SBP spokesman Abid Qamar confirmed to The Express Tribune.

The financial assistance came following the signing of an agreement on Saturday last week between the Abu Dhabi Fund for Development and the SBP for depositing the remaining $2 billion out of the committed $3 billion to shore up the central bank's reserves.

Earlier, the UAE had announced a $6-billion package for Pakistan in December 2018 including $3 billion in cash deposit and a credit line of another $3 billion for the supply of petroleum oil on deferred payment.

The UAE has provided the soft loan at an interest rate of 3%, Finance Minister Asad Umar disclosed last week. Abu Dhabi released the first tranche of $1 billion in January 2019.

"We will let you know as and when the third and last tranche arrives," Qamar added.

Modalities for the supply of oil to Pakistan on deferred payment are yet to be finalised, it has been learnt.

The finance minister also said the country was set to receive a total of $4.1 billion from the UAE and China during the week that started on Monday. China has committed to provide $2.1 billion at an interest rate of 2.5%.

The SBP reserves will swell to around $12 billion with the receipt of $4.1 billion. Total reserves of the country would surge to around $19 billion, including those available with commercial banks in Pakistan, he said.

The SBP reserves stood at $8.11 billion as on March 1, 2019, according to the central bank's latest data.

"Deposits are coming at a very critical time as Islamabad is set to make a large external debt payment next month – April, while its reserves remain under pressure," Arif Habib Limited Head of Research Samiullah Tariq said recently.

"Pakistan is scheduled to pay off $1 billion for a maturing Eurobond in April…this will be in addition to other external debt payments during the month," he said.

The increased international payment pressure had led to depletion of Pakistan's foreign currency reserves to almost five-year low at $6.63 billion as on January 18, 2019.

In December 2018, the UAE offered exactly the same bailout package as that announced by Saudi Arabia in October 2018 to shore up Islamabad's foreign currency reserves.

Riyadh has already deposited $3 billion in cash in three equal monthly tranches by January 2019. Besides, the two countries have also decided modalities for oil supply on deferred payments from March 2019.

https://tribune.com.pk/story/1928047/2-uae-deposits-second-1b-tranche-sbp-reserves/

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

UNDP-FUNDED THARPARKAR SKILLS DEVELOPMENT PROJECT LAUNCHED

RECORDER REPORT | MAR 4TH, 2019 | SIALKOT

Technology Up gradation and Skills Development Company (TUSDEC), Ministry of Industries & Production, Government of Pakistan launches Tharparkar Skills development project sponsored by the UNDP revealed CEO TUSDEC Muhammad Alamgir Chaudhry. Talking to Business Recorder on Sunday he said that the objective of the project is to impart employable skills to the unemployed youth while ensuring close coordination with industry / potential employers. Total 300 youth, including both male and female, is targeted to be trained mainly in the trades of Construction, Retail, Automobile and Logistics he disclosed. Alamgir further stated that total scope of the project is to train 1000 participants, 700 from Karachi and 300 from Tharparkar he disclosed.

CEO TUSDEC further stated that the project would help in facilitating employment locally and may enhance the income generating resources. He further said that based on this pilot initiative, TUSDEC may consider proposing establishment of skills development center to help the local youth to get employable skills and enhance their employability.

TUSDEC's team intended to meet all important stakeholders so as to design a need based training course which may address the skills requirements of the potential employers and we are also visiting to Mithi and Islamkot to talk to the relevant stakeholders including Thar foundation, Social Welfare department Tharparkar, Principal Polytechnic Institute Mithi and local private sector enterprises and institutes to assess the details related to skills requirement to be imparted to the targeted group of the local community Alamgir Chaudhry said.

https://fp.brecorder.com/2019/03/20190304451560/

April 2019

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

PSDP: FOREIGN AID DRIES UP

BR Research April 3, 2019

The Rs675 billion federal Public Sector Development Programme (PSDP) is under the weather. As per Planning Commission (PC) data, the PSDP funds authorized for release had totaled Rs417 billion as of March 29, 2019. Nine months into the fiscal, that's 62 percent of the earmarked funds sanctioned for release by the Commission.

This state of affairs potentially sets up even a chopped PSDP budget for significant under utilization by FY19 end. Already feeling the cut from the federal kitty, the PSDP spending this fiscal has been overwhelmingly supported by foreign development assistance.

The foreign assistance (mostly bilateral and multilateral loans for development projects) has been coming in mainly from China and the Asian Development Bank, as per data from the Economic Affairs Division. Foreign aid accounted for 38 percent (Rs160 bn) of the Rs417 billion funds authorized for PSDP in 9MFY19. That is higher than foreign aid's 21 percent share (Rs144 bn) in the Rs675 billion budget.

But it's not sustainable for foreign aid to outrun its commitments and yet continue to give. That's precisely what happened in March 2019. Last month, mere Rs0.4 billion worth of sanctioned funds belonged to foreign aid sources. After healthy foreign inflows into projects linked mainly to transportation (NHA), space (Suparco), water (Wapda) and power (NTDC/Pepco), it's a standstill for March and onwards.

Meanwhile, it isn't clear how much of the remaining PSDP budget will the federal government authorize for release in the final quarter. The unfunded PSDP, as per PC data, was about Rs257 billion as of March end 2019. The government's own funding for PSDP in the fiscal thus far has also been Rs257 billion – less than half of its Rs531 billion budget commitment.

Therefore, it will be difficult for government to fund the PSDP budget beyond 80 percent level this fiscal. Further foreign aid is expected to come in water and power sectors, but it will be in trickles, not in tens of billions. Reportedly, further PSDP spending will slow to a crawl in the last quarter as finance ministry gets stingy with releasing more funds. It is crunch time anyway, so expect development spending to feel more heat.

https://www.brecorder.com/2019/04/03/485461/psdp-foreign-aid-dries-up/

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

BRI: CHINA VOWS TO EASE DEBT CONCERNS

RECORDER REPORT | APR 26TH, 2019 | BEIJING

China aims to make the Belt and Road initiative sustainable and prevent debt risks, its finance minister said on Thursday, seeking to allay criticism that the infrastructure plan to boost trade and investment creates a heavy burden for some nations. The policy championed by Chinese President Xi Jinping has become mired in controversy, with some partner nations bemoaning the high cost of projects, though China has repeatedly said it is not seeking to trap anyone with debt.

Western governments have tended to view it as a means to spread Chinese influence abroad, saddling poor countries with unsustainable debt. Finance minister Liu Kun, speaking at a forum to kick off a three-day Belt and Road summit in Beijing, said China will establish an analysis framework on debt sustainability for Belt and Road projects to "prevent and resolve debt risks".

Chinese financial institutions, countries involved in Belt and Road and international agencies are encouraged to use this framework to enhance debt management, Liu said.

While most of the Belt and Road projects are continuing as planned, some have been caught up by changes in government in countries such as Malaysia and the Maldives. Those that have been shelved for financial reasons include a power plant in Pakistan and an airport in Sierra Leone, and Beijing has in recent months had to rebuff critics by saying that not one country has been burdened with so-called “debt traps”.

Yi Gang, China’s central bank governor, said at the same event that local currencies will be used for investments related to the Belt and Road plan to curb exchange rate risks.

China will follow market principles and rely on commercial funds for Belt and Road financing, Yi said, adding that China will improve transparency for those projects.

“We should strengthen debt and risk management. We should objectively and fully understand debt problems of developing countries,” he added. “Investment decisions should … effectively control risks and fully consider a country’s overall debt capacity and ensure debt is sustainable.” In a nod to debt concerns, a draft communique seen by Reuters said that 37 world leaders attending the summit will agree to project financing that respects global debt goals and promotes green growth.

Chinese government officials and heads of state-owned enterprises such as China National Petroleum Corp and China Communications Construction Corp told a separate forum that they would pay more attention to environmental conservation and protection. They also pledged to undertake higher quality projects that would hire more local staff and respond to the needs of recipient countries.

Jose Vinals, chairman of Standard Chartered Bank, said at the forum he hoped to see the initiative focus more on quality and multilateralism, saying that many projects remained bilateral in the sense that they involved the Chinese government and firms dealing directly with recipient countries.

More opportunities have to be given to other countries as well as the private sector to play a role, he said, adding that bilateral engagement tended to have less transparency and lower levels of governance, which in turn could affect the quality of projects. “It is very important to emphasise project quality over project quantity,” he said.

Visiting leaders will be headlined by Russia’s Vladimir Putin, as well as Prime Minister Imran Khan of Pakistan, a close China ally and among the biggest recipients of Belt and Road investment, and Prime Minister Giuseppe Conte of Italy, which recently became the first G7 country to sign on to the initiative.

The United States, which has not joined the Belt and Road, is expected to send only lower-level officials, and nobody from Washington, citing concerns over opaque financing practices, poor governance, and disregard for internationally accepted norms.

Washington sent Matt Pottinger, the senior White House official for Asia, to the last Belt and Road summit in 2017.

European officials who attended that summit said then that it would take time to know whether China was going to give foreign companies equal access to projects as their Chinese counterparts.

Maros Sefcovic, the European Commission’s vice president for energy who is attending this week’s forum, told Reuters that European companies were ready to engage, but still had the same complaints as several years earlier, including that the plan lacks a transparent and open bidding process.

“Our difference is that we want to discuss it. We want to negotiate about it. We want to solve it in a cooperative way,” Sefcovic said, referring to the United States downgrading its presence at the forum.

Asked if there was any evidence European companies had more access to Belt and Road projects than two years ago, Sefcovic said: “I’m not sure.”

https://fp.brecorder.com/2019/04/20190426467342/

JAPAN PROVIDES $49 MILLION GRANT TO PIMS

The Newspaper’s Reporter Updated April 25, 2019

ISLAMABAD: The Japanese government has provided $49 million grant assistance for the extension of intensive care at maternal and child health care centre and children’s hospital at the Pakistan Institute of Medical Sciences (PIMS) and to strengthen cargo inspection capacity at dry ports of the country.

Special Secretary (Asia-Pacific) at the Ministry of Foreign Affairs Ahmad Imtiaz and Japanese Ambassador to Pakistan Kuninori Matsuda signed the agreements on behalf of their respective governments in Tokyo on Tuesday in the presence of Foreign Minister Shah Mehmood Qureshi and his Japanese counterpart Taro Kono.

According to a press release issued on Wednesday by the Japanese Embassy in Islamabad, the PIMS will get a grant of $32m. The children hospital at PIMS has been built with the assistance of Japan.

A new ward and necessary medical equipment, especially for mothers and children who require urgent attention, will be provided to the PIMS under the grant assistance. This will enable the institution to provide better quality services for high-risk mothers and children, and accommodate 300 intensive-care patients a year.

Japan has placed a high priority on maternal and child health in its development assistance for Pakistan and started assisting the PIMS since 1982. The PIMS is one of the symbolic cooperation which represents the friendship between Pakistan and Japan, embassy says.

Under the economic and social development programme, the grant assistance of $17m will be utilised by the Federal Board of Revenue to install appropriate security inspection equipment such as X-ray cargo scanners to maintain high security level at dry ports in order to meet the international standards. The Japanese government expressed the hope that the provision of equipment will also make the cargo clearance process more efficient.

Published in Dawn, April 25th, 2019

https://www.dawn.com/news/1478231/japan-provides-49-million-grant-to-pims

MAY 2019

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

'$9.2B IN FOREIGN LOANS TO BE RETIRED THIS YEAR'

By Our Correspondent Published: May 9, 2019

ISLAMABAD: The finance ministry has informed the Senate that of the total $88.19 billion in foreign loans, $9.2 billion will be retired this year.

During the question hour, Minister of State for Finance and Revenue Hammad Azhar said $37 billion worth of foreign loans would be retired during the next five years.

Giving details, the minister said some $3,256 million under foreign debt and $1,295.21 million interest on loans had been paid back during the current fiscal year till January 31, 2019.

Azhar said, "The previous government, during its five-year tenure, had obtained loans on a very short term."

He said the present government was committed to fully discharge the debt obligations of the country to its external creditors and a multi-pronged strategy was being pursued.

"The focus is to substantially increase the country's exports and workers remittances and reduce imports," he said, expressing hope that this year, the country would receive $22 billion in remittances from overseas Pakistani.

The country's export was also expected to reach $25 billion during the said period, he said, adding that the government was also focusing on enhancing domestic revenues, reducing expenditure to bring down budget deficit as well as current account deficit.

To another question, the minister said the process to seek membership of Egmont Group was initiated on September 21, 2011 after the approval of the federal cabinet.

At present, Onsite Assessment Report (OAR) from FinCEN (FIU of USA) and JAFIC (FIU of Japan) was still awaited which described findings of Onsite visit to Pakistan (January 29, 2018 to February 02, 2018), he said.

He said the government was vigorously following-up to expedite the process of Egmont Group membership. "After getting membership of Egmont Group, we will also get data," he added.

Azhar also informed the Senate that the inflation (CPI) in July-March of FY2019, remained at 6.8 per cent which was within the single digit range. The minister pointed out that the increase in the price level was due to rising international oil prices and rupee depreciation.

He said the government was cognisant of this challenge and was following prudent expenditure management and contractionary monetary policy to anchor expected rise in inflation.

He said, "To anchor expected rise in inflation, State Bank has also further raised the policy rate to 10.75 per cent effective from April 1, to compress the aggregate demand in the economy."

He said, “Ramazan Bazaars have been set up in various areas to provide relief to the masses.”

To another question, the minister said the preceding year witnessed a growth of 5.22 per cent but broadly it was led by consumption.

https://tribune.com.pk/story/1969564/1-9-2b-foreign-loans-retired-year-senate-told/

EBT REPAYMENTS LIKELY TO SWELL TO $31B IN NEXT 7 YEARS

By Shahbaz Rana Published: May 10, 2019

ISLAMABAD: Pakistan’s debt in terms of the size of economy is expected to increase further, said the country’s top debt manager on Thursday, as the finance ministry estimates external public debt repayments at a whopping $31 billion in the next seven years.

The $31-billion public external debt repayments from July 2019 to June 2026 have been worked out on the basis of $74 billion external public debt as of end-February 2019. The debt that Pakistan will contract in the next eight years including from the International Monetary Fund (IMF) is not part of these internal estimates of the finance ministry.

The IMF’s previous loans are also not part of these repayments, which are booked on the balance sheet of the State Bank of Pakistan (SBP).

In the near future, the total public debt as a percentage of gross domestic product is expected to increase further, said Abdul Rehman Warraich, Director General Debt Office of the Ministry of Finance, while giving a briefing to the National Assembly Standing Committee on Finance.

Warraich said as of March 2019, Pakistan’s public debt stood at Rs28.6 trillion, which was equal to 74.5% of GDP. He hoped that the ratio would slide down to around 65% after five years, subject to improvement in current macroeconomic conditions.

Even the 65% debt-to-GDP ratio will be higher than the statutory limit of 60% set by parliament in the Fiscal Responsibility and Debt Limitation Act. The last two governments as well as the current Pakistan Tehreek-e-Insaf (PTI) government are in breach of this limit.

It was the last meeting that Faizullah chaired as chairman of the standing committee. He has been asked to vacate the position for former finance minister Asad Umar. Committee members highly appreciated the services of Faizullah.

Prime Minister Imran Khan has changed his entire economic team. The standing committee directed the government to explain the reasons for appointing Dr Reza Baqir as the SBP governor and Shabbar Zaidi as the Federal Board of Revenue (FBR) chairman in the next meeting.

The committee members did not endorse the DG Debt estimates of reduction in the debt burden in terms of the size of national economy. They also showed their frustration with the finance ministry’s decision not to share projections of external debt repayments over the next 10 years with parliament.

The external debt repayments for the next 10 years had not been finalised yet due to ongoing negotiations with the International Monetary Fund (IMF), said Umar Hameed, Special Secretary

Ministry of Finance. Hameed sought an in-camera meeting to share the future debt trajectory of the country.

Pakistan Muslim League-Nawaz (PML-N) MNA Ali Pervaiz Malik questioned the prime minister's claim that the PML-N had left behind Rs30 trillion in debt as of end-June 2018. He urged the finance ministry to share the Rs28.6-trillion public debt figure as of end-March 2019 with Prime Minister Imran Khan, so he may stop giving inaccurate figures.

An internal assessment of the finance ministry showed that the government would repay $31.1 billion of external public debt in the next seven years. This includes $25.6 billion in principal loan repayments and $5.5 billion in interest payment on previous debt.

The maximum amount of $10 billion or nearly one-third would be returned to multilateral lenders, excluding the IMF, showed the official statistics. Out of this, the World Bank-related obligations are $4.8 billion and the Asian Development Bank will be returned $4.5 billion.

Pakistan will repay $6.5 billion worth of loans contracted by floating sovereign bonds over the next seven years, including $2 billion in interest on these bonds. The bonds-related debt obligations are equal to 21% of the total external public debt repayments. The DG debt told the standing committee that Pakistan was going to launch a bond programme and its future borrowings would largely comprise those bonds. He said the government was now aiming to rely on long-term debt instruments instead of heavily borrowing from foreign commercial banks.

From 2019 to 2026, Pakistan will also repay $5.4 billion worth of foreign commercial loans, largely taken from China. Out of the $5.4 billion, an amount of $4.5 billion will be returned to three Chinese commercial banks, according to sources in the external wing of the Ministry of Finance.

Pakistan will return $5.9 billion to members of the Paris Club in the next eight years. The maximum loan of $2.5 billion will be repaid to Japan, followed by $1.2-billion repayment to France. The country will also return nearly $3 billion to non-Paris Club members, mainly China, in the next seven years.

Owing to the low non-debt creating inflows, there is a strong likelihood that majority of these loans will be repaid by contracting new loans. Due to its growing debt burden, Pakistan is categorised as debt-distress country.

Warriach said the pace of accumulation of public debt was expected to slow down under the IMF programme. He was of the view that the high interest rate era was likely to end soon and there would be steep fiscal adjustments in coming years, which would help contain the public debt.

The DG debt also said under the IMF programme, the expenditures would be curtailed and there would be a significant increase in taxes. Pakistan could be in serious trouble due to the high refinancing risks attached with the public debt, said MNA Ali Pervaiz.

Published in The Express Tribune, May 10th, 2019.

https://tribune.com.pk/story/1969585/2-debt-repayments-likely-swell-31b-next-7-years/

NEWS COVERAGE PERIOD FROM MAY 20TH TO MAY 26TH 2019

FISCAL YEAR 2018-19: COUNTRY RECEIVES $2.941 BILLION FOREIGN AID IN EIGHT MONTHS

TAHIR AMIN | MAR 29TH, 2019 | ISLAMABAD

The country provisionally received $2.941 billion foreign assistance in the first eight months (July-February) of current financial year 2018-19 against $7.608 billion during the same period of last year (2017-18), showing a reduction of about 62 percent.
The assistance received as tabulated by the Economic Affairs Division (EAD) does not include the 3 billion dollars received from Saudi Arabia, 2.2 billion dollars from China and 2 billion dollars from United Arab Emirates this year with another one billion dollar pledges by UAE in the current fiscal year.

EAD data shows that the Pakistan Tehreek-e-Insaf (PTI)-led government did not borrow from foreign commercial banks in February, 2018-19. However, the country borrowed a total of $499.44 million from foreign commercial banks during the first seven months of the current fiscal year compared to $1.777 billion during the same period last 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 the 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 $225.15 million including $220.51 million loans and $4.64 million grants in February.

Asian Development Bank (ADB) disbursed $19.25 million in February bringing the total disbursement to $376.11 million in the current fiscal year against the budgeted estimates of $1.38 billion for the entire year.

The country received $85.32 million from China in February, bringing the total to $1.209 billion in the current fiscal year against the budgeted estimate of $840.99 million. The amount does not include the 2.2 billion loan recently received form China.

USA disbursed $51.46 million, International Development Association (IDA) $142.83 million, IDB (S-Term) $388.82 million, UK $76.42 million, France $44.14 million, Japan $47.75 million and Germany $14.15 million in the current fiscal year so far.

The previous government had budgeted $2 billion from foreign commercial banks for 2018-19. 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 loan agreement was signed on June 21, 2018 i.e. during the caretaker government.

The Suisse AG disbursed $50 million out of its total commitment of $750 million in July. This loan agreement was signed during the PML-N government on May 9, 2018. However, no commercial loans were taken during August 2018. 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 i.e. by the PTI government, but the government has crossed the figure and received $245 million so far.

Finance Minister Asad Umar on March 13, 2019 informed the National Assembly Standing Committee on Finance that the government expects to borrow more than last year's total and is estimated to be around $5.6 billion from multilaterals in the current fiscal year.

Umar rejected the impression that multilateral sources have slashed the funding for Pakistan. However, the current pace of inflow is indicating that the country is unlikely to achieve foreign assistance estimated for the current financial year

https://fp.brecorder.com/2019/03/20190329459349/

IMF PACKAGE: GOVERNMENT MAY REVISIT EXEMPTIONS TO SAUDI OIL, GAS COMPANIES

WASIM IQBAL | MAY 24TH, 2019 | ISLAMABAD

Pakistan may be compelled to revisit some of the proposed special treatment(s) and/or exemptions to Saudi oil and gas companies"" pledged investment in oil refineries and petrochemical sector in the light of the commitments made to the IMF, sources said.

The IMF press release dated 12 May 2019 while confirming the staff level agreement for a three year extended fund facility, states that "next financial year budget 2019-20 will aim for a primary deficit of 0.6 percent of GDP supported by tax policy revenue mobilization measures to eliminate exemptions, curtail special treatments, and improve tax administration".

On February 18, 2019 a Memorandum of Understanding (MoU) was signed between Pakistan and Saudi Arabia pledging $21 billion investment within five years in refining and petrochemical as well as renewable energy projects and extraction/development of mineral resources. Three to five year investment by Saudi Arabia will be about $ 12 billion of which $ 10 billion will be earmarked for the establishment of Aramco Oil Refinery and $ 2 billion for mineral development.

Petroleum Division is drafting a new petroleum policy for oil and gas companies keeping in mind the Saudi""s expected investment in oil refineries and petrochemical sector. The draft policy, sources told this correspondent, would comprise of seven major amendments including exemptions and special treatments for foreign oil and gas companies with the objective of making Pakistan a more attractive investment destination. However, the Petroleum Division may have to eliminate exemptions and special treatments on offer to foreign companies in light of IMF""s conditions, sources said.

An energy expert of Topline Security Pvt Limited told Business Recorder that no fresh investment has come in the oil and gas sector during the past ten months. And before the IMF staff level agreement the bulk of investment in oil and gas sector was expected from Saudi Arabia or ExxonMobil within the next two to three years.

During the last ten months, July-April 2018-19, foreign direct investment (FDI) in oil & gas exploration sector stood at around $287.3 million. Overall FDI plunged by 51.7 per cent to $1.376 billion during the first 10 months of current fiscal year, as compared to $2.849 billion in the corresponding period last year.

In a press briefing in November, former Minister for Petroleum Ghulam Sarwar Khan stated that the trend of participation of foreign oil and gas companies in block auction was “not healthy” in spite of offered best prices in the region to E&P.

Saudi Arabia has sought acceptable rate of return based on size of the potential investment in crude oil refining, marketing, distribution and related downstream sectors subject to applicable laws and regulations both in Pakistan and Saudi Arabia.

PSO and Saudi Aramco will conduct a study on investment opportunities in the refining/ chemicals, distribution, marketing and related downstream sectors in order to evaluate the economic and technical feasibility of these opportunities in Pakistan while taking into account all logistical and regulatory factors including the allocation of appropriate easement and entry rights to freely access the investment sites and freely transfer the feedstock and products to and from such sites, including via roads, vessels, pipelines and any other means of transfer and transportation in the country; and the allocation of appropriate tax exemption as per policy and the allocation of natural gas as feedstock for refining activities at mutually agreed prices.

According to sources, Saudi Arabia has stated that it would be Pakistan””s responsibility to install gas pipelines needed for the transportation of the refined oil. Although Islamabad has agreed to fulfill these obligations, it would require a huge amount to ensure timely completion of the pipeline projects between Gwadar and Karachi, and Gwadar and Nawabshah, they added.

The oil refinery would facilitate Pakistan with 250,000 to 300,000 barrels per day. Both sides will complete the study on proposed establishment of refinery by next year.

https://fp.brecorder.com/2019/05/20190524478745/

CHINA LEADS WITH 75% SHARE IN TOTAL FOREIGN LOANS

By Shahbaz Rana Published: May 23, 2019

ISLAMABAD: Pakistan, for the first time, fully disclosed the debt taken from China which stood at $6.5 billion for the current fiscal year alone, equal to three-fourths of the $8.6 billion worth of total loans that Islamabad received in the past 10 months, show official documents.

Under pressure from the International Monetary Fund (IMF), the government of Prime Minister Imran Khan has disclosed every type of loan that Islamabad has received from its strategic ally, China.

Foreign loan disbursements in Jul-Apr of the current financial year showed loans for the Karachi Nuclear Power Plants, known as K2 and K3, and China SAFE deposits as part of federal debt obligations.

Earlier, the $2 billion worth of China SAFE deposits, which Islamabad had received in July 2018, were shown on the books of the State Bank of Pakistan (SBP). SAFE is an acronym for the State Administration of Foreign Exchange managed by the Chinese central bank.

Pakistan also received $3 billion from Saudi Arabia and $2 billion from the United Arab Emirates but these loans were not disclosed along with Chinese SAFE deposits.

Pakistan has long been using Chinese money to shore up its official foreign currency reserves but it is for the first time that these Chinese deposits with the central bank have been made part of the Ministry of Finance's debt statistics.

Finance ministry spokesman Dr Khaqan Najeeb did not comment on the development. But a senior official of the Ministry of Finance and Economic Affairs told The Express Tribune that the decision to disclose Chinese SAFE deposits was taken at the level of Adviser to Prime Minister on Finance Dr Abdul Hafeez Shaikh.

The full disclosure of Chinese loans was one of the sticking points between the government and the IMF during staff-level negotiations for a $6-billion bailout package. It now seems Prime Minister Imran Khan has accepted the IMF's terms on Chinese loans.

The United States wants to ring-fence IMF money in order to stop Pakistan from using such funds for repaying Chinese loans.

Owing to the fresh disclosure, the Chinese foreign loans from July through April FY19 surged to $6.56 billion, according to the finance ministry's documents. These were equal to 75% of the total foreign loans of $8.6 billion that Pakistan received during the period.

There was over $2-billion jump in foreign loan disbursements within a month due to the disclosure of Chinese loans.

Out of the $6.5 billion, China gave $2 billion in SAFE deposits and $2.53 billion in foreign commercial loans, also for cushioning the declining foreign exchange reserves.

In March, the Chinese government provided the loans through two commercial banks. China Development Bank gave $2.24 billion in a short-term loan while Industrial and Commercial Bank of China (ICBC) disbursed $300 million.

China gave $628.4 million for the construction of two ongoing nuclear power plants in the past 10 months, according to the finance ministry statistics.

China also gave $1.4 billion in project financing in the past 10 months, largely for China-Pakistan Economic Corridor (CPEC) projects. Project loans have largely been disbursed for the Sukkur-Multan motorway, Havelian-Thakot project of CPEC and Lahore Orange Line project.

Every successive government has been heavily relying on foreign loans to stay afloat. The reliance on China increased in recent years after the traditional multilateral lenders stopped budgetary support due to deterioration in macroeconomic conditions.

Pakistan hopes that the blocked budgetary support will soon be restored after approval of the $6-billion bailout package by the IMF Executive Board. It also expects to return to the international capital market from the next fiscal year to raise funds for building official foreign currency reserves.

On the back of Chinese loans, the commercial financing surged to $3.2 billion as of the end of April, which was equal to 37.2% of the total foreign loans. Ajman Bank PJSC disbursed another tranche of $76 million in April, taking its total loans to $150 million.

A consortium of Credit Suisse AG, UBL and ABL has already given $295 million and $184 million was released by Dubai Bank in previous months. The lending by multilateral agencies amounted to $1.3 billion or 14% of the total disbursements. The country received $380 million from the Asian Development Bank (ADB) by April, far lower than estimates. The World Bank disbursed only $250 million.

The Islamic Development Bank (IDB) disbursed an additional $35 million last month, which took its total loans for Pakistan to $578 million in 10 months. The IDB gave these commercial loans for oil purchase from Saudi Arabia. The disbursements by other lenders remained low.

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

https://tribune.com.pk/story/1978533/2-pakistan-discloses-borrowing-china/

JUNE 2019

NEWS COVERAGE PERIOD FROM MAY 27TH TO JUN 2ND 2019

'CHINESE LOAN ACCOUNTS FOR 11PC OF FOREIGN DEBT'

APP Updated May 28, 2019

ISLAMABAD: Pakistan's total foreign debt is about $106 billion with Chinese loan accounting for a mere 10-11 per cent of the aggregate, while the remaining 89-90pc is from other sources such as the International Monetary Fund, Paris Club, and other western organisations, Economic Secretary Noor Ahmed said.

China has simultaneously loaned to Pakistan and invested in the country, with more planned in the next phase of China-Pakistan Economic Corridor, he told Xinhua.

"Through CPEC, Pakistan is utilising its own natural resources to generate electricity which will gradually reduce the country's dependency on imported fuels," said Syed Hassan Javed, Director of the Chinese Studies Centre, School of Social Sciences and Humanities at National University of Science and Technology.

In a recent talk with Xinhua, Muhammad Muzammil Zia, policy head of job growth and human resource development in CPEC Centre of Excellence, an Islamabad-based think-tank, also said that that CPEC has created 70,000 direct jobs in Pakistan and is likely to create 1.2 million more under its presently agreed projects, which will help poverty eradication in the country.

According to Moody's, ongoing implementation of CPEC projects is likely to contribute 9-10pc of Pakistan's GDP in the 2018-2019 while Deloitte said it would add up to 2.5 percentage points to the country's growth rate.

Published in Dawn, May 28th, 2019

https://www.dawn.com/news/1485049/chinese-loan-accounts-for-11pc-of-foreign-debt

FOREIGN LOANS RISE TO $8.837 BILLION IN APRIL

TAHIR AMIN | MAY 28TH, 2019 | ISLAMABAD

Total foreign loans acquired by the government rose to $8.837 billion in April reflecting a rise of $ 2.997 billion from March. This does not include $6 billion loan from friendly countries – $ 3 billion each from Saudi Arabia and United Arab Emirates (with $1 billion yet to be disbursed).

Total foreign loans acquired during July-April 2019 are $14.837 billion, 45 percent higher than the amount in the comparable period of last year. Pakistan Tehreek-e-Insaf (PTI)-led government borrowed $76.05 million from foreign commercial banks in April, bringing the total to $3.183 billion under this head in the current fiscal year (July-April) 2018-19, compared to $2.922 billion during the same period of last year.

The latest data of Economic Affairs Division (EAD) shows that the country provisionally received over $8.837 billion of foreign assistance in the first ten months (July-April) of current financial year 2018-19, with loans from friendly countries not included, against $9.6 billion during the same period of last year (2017-18), showing a reduction of about 8 percent.

The EAD data for April reflects $2 billion under the China Safe deposit loan though it was acquired before April. The PML-N government had budgeted foreign assistance of $9.69 billion for 2018-19 including $394.34 million grant and $9.297 billion loans, as shown in the 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 $330.52 million including $321.56 million loans and $8.96 million grants in April. The previous government had budgeted $2 billion from foreign commercial banks for 2018-19, but borrowing under this head reached $3.183 billion in April.

China Development Bank disbursed $2.234 billion, Industrial and Commercial Bank of China (ICBC) $300 million, the Suisse AG, UBL and ABL consortium $295 million, Dubai Bank 184.44 million, Ajman Bank $150.09 million and Noor Bank $20 million during the current fiscal year (July-April). Multilaterals disbursed $1.338 billion during the first ten months of the current fiscal year including Asian Development Bank (ADB) $406.77 million, IDB (S-Term) $572.37 million, International Development Association (IDA) $205.89 million, Asian Infrastructure Investment Bank (AIIB) $17.53 million, IBRD $44.11 million and Islamic Development Bank (IDB) $5.80 million.

The country received $3.653 billion from bilaterals including China $1.999 billion, U.K $80.40 million, USA $63.82 million, France $66.57 million, Saudi Arabia $24.11 million, Germany $14.50 million and Japan $62.10 million. According to the EAD report, the country received $8.619 billion in loans and $218.09 million grants.

https://fp.brecorder.com/2019/05/20190528481141/

NEWS COVERAGE PERIOD FROM JUN 10th TO JUN 16TH 2019

FOREIGN DEBT SOARS TO $105BN

The Newspaper's Staff Reporter Updated June 11, 2019

KARACHI: During the first nine month of current fiscal year, External Debt and Liabilities (EDL) recorded an increase of $10.6 billion — including a public debt of $74.2bn — to stand at $105.8bn at end March 2019, said the Economic Survey 2018-19 issued on Monday.

Disbursements from bilateral sources remained the main contributor in gross external public debt disbursements with a share of 48pc or $4.004bn. The survey noted that out of the total bilateral sources, disbursements from China stood at $3.885bn or 97 per cent of total amount.

"The government is tapping new international markets as well as considering to introduce an international bond programme instead of borrowings through stand-alone transactions. This is expected to increase investor base, lower borrowing cost and allow the government to optimise timing of issuance as well as save time in execution of debt transactions," the survey noted, adding that the government will continue to seek long term concessional loans for development purposes.

The survey reported that external public debt increased by around $3.9bn during first nine months of current fiscal year compared with the increase of $ 6.7bn witnessed during the same period last year.

Pakistan's EDL include all foreign currency debt contracted by the public and private sector as well as foreign exchange liabilities of SBP. The part of EDL which falls under government domain is debt which is serviced out of consolidated fund and owed to International Monetary Fund whereas remaining includes liabilities of central bank, debt of public sector entities, private sector and banks.

Borrowing from commercial sources (foreign commercial banks and Eurobonds/sukuk) have relatively increased during the last few years, however, external public debt still largely comprises multilateral and bilateral sources which cumulatively constituted 78pc of external public debt portfolio at end March 2019.

Foreign commercial loans contributed $3.108bn in total disbursements. These commercial loans were primarily obtained for balance of payment support. The government mobilised $1.150bn from multilateral sources largely for energy and infrastructure projects.

During first nine months of the current fiscal year, servicing of external public debt was recorded at $5.608bn. Segregation of this aggregate number shows repayment of $4.139bn towards maturing external public debt stock while interest payments were $1.470bn.

External public debt to GDP ratio grew to 22.3pc at end June 2018 compared with 20.5pc in the same period in 2017, depicting an increased external debt burden.

"At end March 2019, this ratio further increased and recorded at 25.8pc. Apart from increase in external public debt stock, reduction in GDP size in US dollar terms contributed towards increase in this ratio," said the Survey.

Relatively higher growth in external public debt stock pushed the External Debt to Foreign Exchange Earning (ED/FEE) ratio to 1.3 times during 2017-18 compared with 1.2 times during preceding fiscal year. During 2017-18, ED/FER recorded at 4.3 times, registering a significant increase from 2.9 times during 2016-17. “At end March 2019, this ratio was recorded at 4.3 times.”

Published in Dawn, June 11th, 2019

https://www.dawn.com/news/1487478/foreign-debt-soars-to-105bn

ADB TO PROVIDE $3.4BN LOAN FOR BUDGETARY SUPPORT

Iftikhar A. Khan Updated June 16, 2019

ISLAMABAD: The Asian Development Bank (ADB) would provide a loan of $3.4 billion to Pakistan for budgetary support, said federal Minister for Planning, Development and Reforms Khusro Bakhtiar as well as Adviser to the Prime Minister on Finance Dr Abdul Hafeez Shaikh on Saturday.

The news was broken by Mr Bakhtiar who told a press conference that an agreement had been reached between the ADB and the finance ministry in this regard. Of the total amount, $2.1bn would be released within a year of the agreement.

When asked to explain the terms of the loan, the minister only said it was “on a concessional rate”.

Later in the day, Dr Shaikh took to Twitter to confirm the development. “The ADB will provide $3.4 billion in budgetary support,” he said in his tweet. “$2.2 billion will be released this fiscal year (FY), starting in the first quarter of FY 2019-20. This will help the reserve position and the external account.”

Reuters news agency quoted the finance ministry as saying that the first disbursement “is to cover such policy reform areas as trade competitiveness, energy sector and capital markets development”.

A press release issued by the ministry said ADB’s director general Werner Leipach and its country director Xiaohong Yang called on Dr Shaikh and discussed with him matters relating to ADB’s upcoming operations in Pakistan.

“The [ADB’s] director general briefed the adviser that in addition to strong project portfolio, the bank is also keen to provide balance of payments financing to support government of Pakistan’s structural reform agenda,” added the press release.

The government seeks help to overcome a ballooning balance of payments crisis. Last month, it reached an accord in principle with the International Monetary Fund (IMF) for a three-year, $6bn bailout package aimed at shoring up its finances and strengthening a slowing economy.

The ADB financing would come on top of the IMF loan.

At his press conference, Mr Bakhtiar also said that Emir of Qatar Sheikh Tamim bin Hamad Al-Thani would be visiting Pakistan shortly and that during his visit cooperation between the two countries would “reach new heights”.

In response to a question, he said Pakis-tan's relations with Qatar were not dependent on its ties with other countries. "Pakis-tan follows an independent foreign policy."

Outlining what he called salient features of the government's development strategy, the minister said about 80 per cent of the total amount allocated for the annual development plan would be spent on completing 295 ongoing projects. Failure to complete a project in time leads to an increase in its cost.

He said the government had dropped the 233 "unapproved projects" that had been included in the annual development plan by the previous government during its last days in power.

Mr Bakhtiar, however, conceded that many unapproved projects were still part of the development plan. In this regard, he said, the departments had been given a deadline of June 30 to get their projects approved.

He said that despite challenges, Rs951bn had been earmarked in the budget for the public sector development programme. Of this amount, Rs250bn would be spent for projects under public-private partnership. Out of the remaining Rs700bn, allocations would be made for the areas which had been neglected for long, he said.

Published in Dawn, June 16th, 2019

https://www.dawn.com/news/1488488/adb-to-provide-34bn-loan-for-budgetary-support

PAKISTAN SEEKS $1B ADB LOAN TO REPAY FOREIGN DEBT

By Shahbaz Rana Published: June 15, 2019

ISLAMABAD: Pakistan has sought a crisis response loan of $1 billion from the Asian Development Bank (ADB) to avoid defaulting on its external debt obligations that have been estimated at $10.4 billion in the new fiscal year.

Islamabad has formally requested the Manila-based lending agency to provide the loan through a Special-Policy Based Lending (SPBL) instrument, according to sources in the Ministry of Finance.

The SPBL is a crisis response facility offered by the ADB as part of its international rescue efforts to meet foreign payment obligations.

It is for the first time in Pakistan's history that it will avail the SPBL facility to repay its foreign debt.

The SPBL is used to address external and internal payments crisis by providing large-scale support as part of an international rescue effort, which includes the International Monetary Fund (IMF) and the World Bank, according to the ADB's definition of the facility.

The ADB's Principal Public Management Specialist, Hiranya Mukhopadhyay, completed his visit to Pakistan on Saturday aimed at finalising the modalities of the $1 billion loan, according to the sources.

The SPBL loan is offered for a period of five to eight years and it attracts a minimum interest rate of the floating 'London-Interbank Offered Rate plus 2%'.

The timing of the $1 billion loan approval by the ADB's Board of Directors will depend on how quickly Pakistan shares the Memorandum of Economic and Financial Policies (MEFP) of the $6 billion IMF programme with the ADB.

Pakistan and the IMF had announced a staff-level agreement on May 11. Unlike the past, the ADB and the World Bank did not attend the programme negotiations as observers this time.

Pakistan has not shared the MEPF with the WB and the ADB and that will affect the fast-track approval of the emergency budgetary and balance of payment support by these two lenders.

The Executive Board of the IMF is expected to take up Pakistan's request for the $6 billion loan on July 3. The MEFP can be shared with the other lenders only after the approval of the IMF's Executive Board, according to Ministry of Finance officials.

There is a possibility that the ADB's Board of Directors may approve the crisis loan either in the last week of October or in early November.

The ADB and the WB had suspended Pakistan's budgetary support in 2017 after its macroeconomic conditions started deteriorating.

Adviser to the PM on Finance Abdul Hafeez Shaikh tweeted that the ADB would give $3.4 billion to the country in budgetary support.

"I had a meeting with ADB Director General Werner Liepach today [Saturday] to agree on the ADB programme. The ADB will provide $3.4 billion in budgetary support to help with reforms and stabilisation of the economy."

He further said a sum of $2.2 billion would be released in the first quarter of this fiscal year. "It will help in improving the revenue and external account position," he added.

The ADB Board of Directors is also expected to approve $500 million budgetary support loan in August under the $800 million Trade and Competitiveness Support Programme.

To meet the last remaining condition for qualifying for the $500 million loan, Prime Minister Imran Khan has approved presenting the e-commerce policy before the federal cabinet for its endorsement.

ADB Director General for Central Asia and Middle East Werner Liepach also met the finance adviser.

The director general told Shaikh that the bank is also keen to provide balance of payment financing to support Pakistan's structural reform agenda. This budgetary support is estimated to be about $2 billion in the fiscal year 2020 and will broadly cover policy reform areas including trade competitiveness, energy sector and development of capital markets, according to a Ministry of Finance handout.

Pakistan is losing competitiveness in exports because of a growing concentration in goods with low sophistication and value addition, the ADB stated in a paper it has prepared in support of the $800 million Trade and Competitiveness Programme.

Pakistan is competing with lower-income countries exporting low-tech products at more competitive wage rates, and its share of high-tech products is less than 2% of the total exports, it added.

The ADB's proposed loan is aimed at further reducing import tariffs and rationalising taxes. Most of these conditions have been met through the new budget.

For the fiscal year 2019-20, the Ministry of Finance has estimated the external debt repayments at $10.4 billion. The country's foreign currency reserves have already slipped to $7.8 billion and nearly $2 billion payments are due in June alone.

https://tribune.com.pk/story/1993364/2-adb-provide-pakistan-3-4-billion-budgetary-support/

NEWS COVERAGE PERIOD FROM JUN 17th TO JUN 23TH 2019

PAKISTAN, WB SIGN THREE LOAN AGREEMENTS FOR $918 MILLION

Khaleeq KianiJune 19, 2019

ISLAMABAD: Pakistan and the World Bank (WB) on Tuesday signed three loan agreements under which the Washington-based lending agency would provide $918 million to help the Pakistani government expand the country's tax base and improve education standards in strategic economic sectors.

The financing agreements were signed by Economic Affairs Secretary Noor Ahmed and World Bank's Country Director Patchamuthu Illangovan here on Tuesday. Adviser to the Prime Minister on Finance, Revenue and Economic Affairs Dr Abdul Hafeez Shaikh witnessed the signing ceremony.

Under the first agreement, the WB would provide $400m loan to help the Federal Board of Revenue (FBR) introduce key reforms in its administrative and technological areas. The loan programme had been under negotiations for almost 18 months and was approved by the WB's board of directors last week.

The objective of the programme is to contribute to a sustainable increase in domestic revenue by broadening the tax base and facilitating compliance.

The programme's targeted results include increasing Pakistan's tax to GDP ratio to 17pc, increasing the number of active taxpayers to 3.5m, reducing the compliance burden of paying taxes and improving the efficiency of customs controls.

Under the second agreement, the WB would extend $400m loan for strengthening the Higher Education Commission. The loan programme is aimed to support research excellence in strategic sectors of the economy, improve teaching and learning and strengthen governance in the higher education sector.

The project will finance nurturing academic excellence in strategic sectors, support decentralised higher education institutes for improved teaching and learning and equip students and higher education institutions with modern technology. The project will also support higher education management information system and data drive services and capacity building, project management and monitoring and evaluation.

The third loan worth $118m is meant for the Khyber Pakhtunkhwa's Revenue Mobilisation and Resource Management Programme. The programme is expected to increase collection of KP's own sources of revenues and improve the management of public resources. This objective is to be achieved through efficient revenue mobilisation, effective public resource management and capacity building to enhance e-government functionality.

The programme will help the Khyber Pakhtunkhwa government to mobilise its own sources of revenue to address the constraint of limited fiscal space for investment and public service provision and efficient and strategic use of the province's financial resources.

An official statement said that the WB's country director had a customary meeting with Dr Hafeez Shaikh. The adviser thanked the World Bank Team for extending their continuous support to the government of Pakistan in its efforts to achieve the sustainable economic development of the country. He appreciated the WB relationship with Pakistan and desired the programmes implementing agencies to put their best efforts to implement their respective programmes to help achieving the target objectives.

https://www.dawn.com/news/1489035

NEWS COVERAGE PERIOD FROM JUN 24th TO JUN 30th 2019

UK TO FUND PROJECTS WORTH 1B POUNDS IN PAKISTAN

By Salman Siddiqui Published: June 26, 2019

KARACHI: The United Kingdom (UK) has announced financing projects worth one billion pounds in Pakistan, encouraging more British firms to set up facilities in the country, since Islamabad has improved environment for doing business as per the World Bank's ease of doing business index.

"UK announced an increase in our funding to support Pakistan from 400 million pounds to one billion pounds," UK Her Majesty's Regional Trade Commissioner for the Middle East, Afghanistan and Pakistan (MEAP) region, Simon Penny said, while speaking to journalists at the British Deputy High Commission in Karachi on Tuesday.

UK will provide direct lending into projects like infrastructure, roads, hospitals, and schools.

"I think this is a very good example how the UK is having confidence over Pakistan," he said. "Pakistan is very important market for us."

UK Deputy High Commissioner in Karachi Elin Burns said on the occasion that her country was actively working to boost investment and trade with Pakistan. She spoke about consistency and predictably in the economic policies of Pakistan.

Historically, Penny said, the funding was provided to UK's firms to do business in other countries through export credit agency, UK Export Finance (UKEF). Now, the same funding will be available for Pakistani companies and projects.

"It is the money that UK will make available to Pakistan for Pakistani companies and Pakistani projects," he said.

“For making that money available, we look for borrowers of that money to a source of minimum 20 per cent of the project from the UK, which is very favourable. It also provided a very safe return [of money] in terms of the law of the land which is…10 years or longer.”

The funding is not intended to compete with commercial banks or private sector banks. What it intends to do is fund the projects that would not happen because the private sector was lacking the funding. For example, banks remain hesitant providing such funding for long period of time like 10 years, he said.

Penny said UK is also working on the project as how to encourage more companies to enter Pakistan.

“I met some very, very important part of UK government strategy. It is encouraging more UK businesses to invest in Pakistan and do business with Pakistan,” he remarked.

“We are very much focused on it [encouraging more companies to enter into Pakistan]. How do we sell Pakistan’s investment stories internationally… there are many opportunities for international businesses in UK to do business here,” he said.

UK is very encouraged, while looking at the World Bank’s (WB) ease of doing business index.

“Last year Pakistan increased 11 places to 136…, which is a very positive movement and sends a very positive signal to do business in Pakistan,” he said.

Improvement in placement in the WB ranking proves that Pakistan is taking serious measures to provide sustainable environment for conducting business to attract higher Foreign Direct Investments (FDIs).

“Pakistan is not a long way behind the ambition to come in top 100,” Penny said.

“The focus that the [Pakistan] government is placing on the indices is very, very positive… that is something that the British government has favoured and committed towards Pakistan to improve working environment….We [UK aid agency] have invested heavily in programmes that support Pakistan’s efforts to improve the environment for doing businesses.”

He said that UK was also working on the projects like “how we [UK and Pakistan] can work together to increase the two-way trade between our two countries.”

The total trade between UK and Pakistan during the fiscal year 2017-18 stood at 3.1 billion pounds. Interestingly, the trade balance remains in favour of Pakistan as Pakistan made exports worth 1.9 billion pounds to UK and imports worth 1.2 billion pounds.

“So you can see UK is a very important [export] market for Pakistan,” he said.

Currently, the European Union has in place an agreement with Pakistan for GSP plus.

UK plans that once it leaves the EU, it will replicate that agreement. It has already worked legislation for the purpose.

This is Penny’s first visit to Pakistan during which he met a number of high-profile officials including Adviser to Prime Minister on Commerce and Industry Abdul Razak Dawood.

https://tribune.com.pk/story/2000346/2-uk-fund-projects-worth-1b-pounds-pakistan/

SWISS GOVT TO WIND UP AID PROGAMMES BY YEAR’S END

Bureau Report June 27, 2019

PESHAWAR: Ambassador of Switzerland to Pakistan Thomas Kolly said here on Wednesday that the Swiss government would wind up its aid programmes for Pakistan by the end of current year.

Ambassador Kolly visited the provincial capital and met Governor Shah Farman and attended a function organised by the Water and Sanitation Services Peshawar (WSSP) at the Civil Officers Mess. He was accompanied by Mannual Beffler, the head of humanitarian aid.

Talking to Dawn on this occasion, he said Swiss government was diverting its aid programmes to mostly fragile countries. “Since Pakistan has moved up economically, therefore, Swiss aid programmes in the country would wind up by the current year,” he added.

Mr Beffler in his remarks said that the security situation of the city had improved a great deal as foreigners were not advised to visit it a couple of years ago. He said that they explored a bit of city’s rich history.

Asmara Rahat, WSSP focal person for Swiss Agency for Development and Cooperation Programes, told Dawn that the aid agency was providing Rs176 million support to sanitation companies in Peshawar and Mardan.

She said that the funding was being used for at least six types of soft activities including preparation of Peshawar integrated water plan, community awareness, capacity building, IT-based consumer registration and ending illegal connections.

On this occasion, the local government secretary, Zahir Shah, thanked the Swiss envoys for their contribution in the development of the province.

He also presented the visiting delegation with presents of traditional Chitrali cap, Chugha and Peshawari Chappal.

https://www.dawn.com/news/1490627/swiss-govt-to-wind-up-aid-progammes-by-years-end

NO ADDITIONAL US CONDITIONS ON IMF PACKAGE FOR PAKISTAN

Anwar Iqbal Updated June 27, 2019

WASHINGTON: The United States has not put any specific conditionalities on a $6 billion aid package the International Monetary Fund (IMF) is finalising for Pakistan, according to the country's envoy Asad Majeed Khan.

At a recent congressional hearing in Washington, a senior US official also ruled out the possibility of blocking the IMF loan until Dr Shakeel Afridi — the physician who reportedly helped the CIA find Osama bin Laden — was released.

"I don't think I have heard of any specific conditionalities that the United States has particularly pushed for," Ambassador Khan said at a Washington think-tank this week. "It is so far a technical process that the IMF personnel are leading and steering," he added.

"We have withheld $130 million in assistance to Pakistan already as a result of his incarceration," said Alice G. Wells, who looks after South and Central Asian affairs at the State Department, when a Congressman advised linking the package to Dr Afridi's release.

When pressed by lawmakers to slap additional conditionalities on the loan package at a recent congressional hearing, Ms Wells reminded them that the United States had already expressed its views on this issue even before the IMF and Pakistan reached an agreement.

"We have communicated our strong views and Secretary (Mike) Pompeo has also done so publicly on the need for any package to include a real structural reform to reinforce," she said.

In an interview to *CNBC* television last year, Secretary Pompeo said that the United States did not want Pakistan to use IMF loans to pay off Chinese lenders. Since then, both Chinese and Pakistani officials have clarified that when repayments to China start, Islamabad would have used the funds it's receiving for structural reforms.

At a discussion this week on the Pakistani economy, US scholar George Perkovich also asked Ambassador Khan if the United States was putting additional conditions on the IMF package and if those were different from the ones suggested previously.

"The IMF has its own board, it has its own technicalities and missions that go across to a country and engage with the people and decide the elements of the package," said the ambassador, adding that he had not heard of any additional US conditionalities.

He agreed with Mr Perkovich that this was Pakistan's 13th package in the last 30 years but reminded the US scholar that the IMF had approved the loan after carrying out a professional and technical evaluation, based on the country's liquidity status.

"Coming to the IMF is not something very unusual. We have done that many times in the past," said the Pakistani envoy. "Pakistan has never defaulted on its debt payments. Our debt to GDP ratio, if not better, is still as good as that of other countries at similar levels of development," he added.

"Expanding the domestic tax-base, generating resources, stopping the bleeding of state-owned enterprises, rationalising tariffs, expanding exports, enhancing our competitiveness, these are tough decisions," he said. "But the government is determined to take these measures independent of what the IMF conditionalities might be," he added.

At the congressional hearing, Congressman Brad Sherman noted that the IMF could not have approved Pakistan's request for loan without Washington's endorsement because America is the Fund's largest contributor.

https://www.dawn.com/news/1490660/no-additional-us-conditions-on-imf-package-for-pakistan

WORLD BANK APPROVES THREE PROJECTS FOR KARACHI

Amin Ahmed Updated June 29, 2019

ISLAMABAD: The World Bank has approved three projects for Karachi that will help improve urban management and investment environment; mobility, accessibility and safety along selected corridors; and access to safe water services.

These projects, approved on Thursday, build on findings of the 'Karachi Transformative Strategy' which estimates infrastructure needs of between $9bn and $10bn in financing over a 10-year period to meet infrastructure and service delivery needs in urban transport, water supply and sanitation, and municipal solid waste.

World Bank Country Director for Pakistan Illango Patchamuthu while commenting on the approval of the projects said that "investments to improve institutions, services and infrastructures will further enhance the city's contribution to the country's economy and people's well-being".

The bank approved $382 million for the 'Karachi mobility project' that will improve access to jobs, mobility, and safety through a 'Bus Rapid Transit' system along the 21-km 'Yellow Corridor'.

The corridor starts at Dawood Chowrangi in the east, runs through the Korangi industrial area, and ends in Numaish at the city centre. It is one of five priority lines in the city's transport plan and will benefit commuters along Surjani town and Korangi industrial area, and will reduce travel time, road traffic fatalities, and reduce emissions.

A key focus area of the project is to provide safe and secure transport for women's mobility. Women have a particular low economic participation rate in Karachi at 8 per cent. This is due to the lack of affordable, safe and secure transport.

The project is planned to be completed in six years, starting from July this year.

The Competitive and Livable City of Karachi project will receive World Bank's $230 million funds to improve urban management, service delivery and the business environment. It will help improve performance and service delivery by local councils through performance-based grants for urban property tax system, incentivise private sector participation in service delivery, enhance ease of doing business, and improve solid waste management.

According to the project document, Karachi faces substantial challenges on urban management, service delivery and business environment, which this project cannot alone fully resolve. The project will begin to address these constraints by selectively tackling critical bottlenecks.

While the scale and complexity of challenges are significant, it aims to tackle some of these constraints in an incremental and systematic way through selected interventions.

Activities under the project will help put the city on a long-term path towards achieving adequate service provision and a competitive business environment.

The business environment in Karachi is significantly hampered by weak and fragmented regulatory governance. The private sector is required to deal with multiple regulatory agencies at the provincial and municipal level to register a business, secure licences/permits to initiate operations, maintain licences and comply with regulations governing various inspections. Almost all regulatory processes are manual and paper-based with minimal automation, leaving considerable room for discretion and creating significant uncertainty in the business environment.

https://www.dawn.com/news/1491084

WORLD BANK APPROVES $722 MILLION LOAN FOR PAKISTAN

By Shahbaz Rana Published: June 29, 2019

ISLAMABAD: The World Bank has approved $722 million loan for Pakistan that will largely be used for improving civic and public transport facilities in Karachi – the largest metropolis that needs nearly $10 billion additional investment to make it liveable.

The World Bank was committing $652 million through three projects to strengthen institutions, municipal services and infrastructure in Karachi, according to a handout that the local office of the Washington-based lender issued on Friday. The board of directors of the World Bank approved the loan a day earlier.

The World Bank also approved another loan of $70 million for improving tourism services in Khyber-Pakhtunkhwa (K-P).

Karachi projects will focus on urban management, public transport, and safe water and sanitation to enhance Karachi’s liveability and competitiveness, said the World Bank.

The projects have been approved in light of the findings of the Karachi Transformative Strategy, which estimated that infrastructure needed $9-10 billion for the city over a period of next 10 years. This money was required to improve urban transport, water supply, sanitation and municipal solid waste treatment.

The study noted that compared to huge financing needs, the city was not generating enough resources to meet these requirements. The collections of the urban immovable property tax from Karachi remained dismal compared to the potential. Punjab collected four times as much in this tax as Sindh every year, it added.

The World Bank study stated that unclear roles, overlapping functions, and poor coordination among various agencies responsible for city governance and management have worsened city’s problems. Municipal and city development functions are highly fragmented, with roughly 20 agencies across federal, provincial, and local levels performing these functions, leading to lack of coordinated planning and integration at the city level.

The current infrastructure spending by the public sector is well below these requirements, despite large recent increases. The availability of public financing for Karachi's needs is limited

The Karachi transformative strategy underlines that Pakistan's largest city with a population of 16 million has "highly complex political economy, highly centralised but fragmented governance, land contestation among many government entities, and weak institutional capacity have made it difficult to manage the city's development".

Karachi was ranked among the bottom 10 cities in the Global Liveability Index. The city is very dense, with more than 20,000 persons per square kilometre. No cohesive transportation policy exists for Karachi, even as thousand new vehicles are added to the roads each day

Karachi is experiencing water and sanitation crisis that stems largely from poor governance. Only 55% of water requirements are met daily. The World Bank said that three projects along with another ongoing Karachi Neighborhood Improvement Project worth $85 million will help reduce this resource gap and help the city meet the needs of its women and men.

"We are committed to supporting the transformation of Karachi into a liveable and competitive megacity," said World Bank Country Director for Pakistan Illango Patchamuthu. He said that investments to improve institutions, services and infrastructure will further enhance the city's contribution to the country's economy and people's well-being.

The World Bank has approved $230 million loan for the Competitive and Liveable City of Karachi Project to improve urban management, service delivery and the business environment. It will help improve performance and service delivery by local councils through performance-based grants for urban management and infrastructure. The project will modernise the urban property tax system, incentivise private sector participation in service delivery, enhance ease of doing business, and improve solid waste management.

It has also approved $382 million loan for the Karachi Mobility Project that will improve access to jobs, mobility, and safety through a Bus Rapid Transit system along the 21-km Yellow Corridor. A key focus area of the project is to provide safe and secure transport for women's mobility. The corridor starts at Dawood Chowrangi in the east, runs through the Korangi industrial area, and ends in Numaish at the city centre.

It is one of the five priority lines in the city's transport plan and will benefit commuters along Surjani town and Korangi industrial area. The project will reduce travel time, road traffic fatalities, and reduce emissions.

Out of $382 million, an amount of $158.5 million will be used for reconstruction of road infrastructure and related utilities improvement and shifting (eg street lighting, sewer/water supply, drainage, oil pipeline) and non-motorised transport facilities such as motorcycle lanes, footpaths and pedestrian crossing along the Yellow Line Corridor and its direct and feeder service routes.

Under component II, $260 million will be spent for the development and operationalisation of a BRT system along the Yellow Corridor.

An amount of $40 million has been approved for the Karachi Water and Sewerage Services Improvement Project. The World Bank and the Sindh government plan to spend a total $1.6 billion for improving water and sanitation services. Water supply and sewage networks will also be rehabilitated through investments in at least three informal settlements (Katchi Abadis), pumping stations, and sewer maintenance trucks.

The lender also approved $70 million for K-P tourism services. Nearly half a million entrepreneurs and travellers will benefit from upgraded facilities at different tourist destinations. The project will introduce sustainable destination management through infrastructure, facilities and assets. Initial focus will be cover Chitral, Galliyat, Kalam, and Naran.

https://tribune.com.pk/story/2002385/2-world-bank-approves-722-million-loan-pakistan-business/

JULY 2019

NEWS COVERAGE PERIOD FROM JULY 1st TO JULY 7TH 2019

IMF OKAYS $6BN PACKAGE TO 'FOSTER STRONG GROWTH'

Anwar Iqbal Updated July 04, 2019

WASHINGTON: The Executive Board of the International Monetary Fund (IMF) on Wednesday approved a $6 billion bailout package for Pakistan and immediately released $1bn to ease a sustained pressure on the country's foreign exchange reserves.

The package, which supports the government's efforts to revive the country's ailing economy, includes a phased release of the additional aid over a 39-month period. The IMF will also conduct quarterly review of Pakistan's performance over this period.

“IMF Executive Board approved today a three-year US$6 billion loan to support Pakistan’s economic plan, which aims to return sustainable growth to the country’s economy and improve the standards of living,” IMF spokesperson Gerry Rice said on Twitter.

“The country’s economic plan seeks to return sustainable growth to the economy by adopting reforms to foster stronger and more sustainable growth,” he added.

Adviser to the Prime Minister on Finance Abdul Hafeez Shaikh also went to Twitter to confirm the package. “IMF Board approved a $6 billion Extended Fund Facility (EFF) for Pakistan to support our economic reform programme,” he wrote. “Our programme supports broad-based growth by reducing imbalances in the economy. Social spending has been strengthened to completely protect vulnerable segments.”

Immediately releases $1bn to ease sustained pressure on Pakistan’s foreign exchange reserves

Dr Shaikh also said that the government’s “structural reform agenda of improving public finances and reducing public debt through revenue reforms is a key part of the programme”.

He said that the IMF support “bodes well for the country and is a testament to the government’s resolve for ensuring financial discipline and sound economic management”.

The approval follows an austerity budget that the Pakistan Tehreek-i-Insaf government unveiled in parliament last month, committing itself to major expenditure cuts and improved tax collection to reduce seven per cent budget deficit.

In May, Pakistan and the IMF reached a staff-level agreement on a new three-year, $6bn bailout package following months of negotiations.

The accord, which was approved by the IMF board of directors in Washington on Wednesday, aims to shore up Pakistan’s public finances and stabilise its slowing economy.

The long-delayed package is Pakistan’s 13th bailout since the late 1980s.

Earlier on Wednesday, Minister of State for Revenue Hammad Azhar said a deal with the IMF would open up the doors of the international market for Pakistan.

Talking to a private news channel, he said Pakistan was also negotiating a programme with the Asian Development Bank for a state-of-the-art, transit and cargo facility at Torkham and Chaman borders.

To demonstrate its commitment to the austerity drive announced with the budget, the government slashed natural gas subsidies on Tuesday, causing prices to jump by some 200pc.

The reforms include raising interest rates to curb the country’s 9 per cent inflation and devaluing the rupee to improve exports and reduce imports to bring down the current account deficit of some $11bn.

These measures are aimed at stabilising Pakistan’s volatile economy, although they may dampen growth in the short term.

Economists warn that such measures could cause a short-term rise in the cost of living while a clampdown on tax evasion could also hurt the government’s popularity. But they also point out that the current ruling setup has a mandate until 2023, which gives it enough time to overcome the fallout of these austerity measures and benefit from the long-term economic sustainability the reforms could bring.

The Wall Street Journal, however, noted that Prime Minister Imran Khan's plan to jolt the country's economy into shape comes "potentially at the expense of the agenda that helped him get elected". The prime minister, who took office in August last year, has promised to improve the economy and provide more jobs.

The IMF said that the deal with Pakistan involves "economic policies that could be supported by a 39-month Extended Fund Arrangement (EFF) for about $6bn".

It said the package includes "an ambitious structural reform agenda" to boost growth, which the lender says could slow to 2.9pc this year from 5.2pc in 2018.

Ramirez Rigo, who headed the IMF delegation which visited Islamabad in May to negotiate the deal, said the programme would "support the authorities' strategy for stronger and more balanced growth by reducing domestic and external imbalances, improving the business environment, strengthening institutions, increasing transparency, and protecting social spending".

Mr Rigo noted that Pakistan was "facing a challenging economic environment, with lackluster growth, elevated inflation, high indebtedness, and a weak external position".

Inflation in Pakistan was over 9.4pc in March, highest since November 2013, with strong price increases in food and energy, the two most sensitive items for most consumers.

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https://www.dawn.com/news/1491999

READING THE IMF PROGRAMME

Khurram Husain Updated July 04, 2019

THE executive board of the IMF has approved Pakistan's request for accession to a three-year, $6 billion programme. The programme now begins and the first tranche of the money will be transferred into State Bank accounts within days.

Equally important, the programme document that details all the commitments agreed to between the Fund and the government of Pakistan will be uploaded onto the Fund website, also within days. This is a crucial document and all those with a keen eye on Pakistan's economy, and with an interest in knowing where things are expected to go in the future, will give it a careful read. So I thought I'd share some tips on what sort of things to look for in the document that a layperson could understand, and that will reveal important details about what to expect for the next three years. This is not some sort of a definitive list, and others may well point out other areas that will also be of critical interest.

First thing I would look for are the projections contained in the document for the external financing requirements of the country over the next three to five years. Since debt and its management have become such a critical agenda item in this government's economic self-awareness, this figure will tell us what sort of dollar inflows will be required all this year and the next two years to manage financing requirements. These include debt-service obligations, repayment of principal amounts as well as private-sector liabilities that will need to be met from the country's foreign exchange reserves.

The fact that this programme has been drawn up after an in-depth examination of CPEC financing requirements means that in this programme document we will get a first, authoritative look at what sort of financing commitments Pakistan has to meet to pay for CPEC investments under the early harvest programme that have been by now largely completed.

To understand the figures and projections given in the programme it would be helpful to see how this figure has been reported in previous IMF documents.

To understand the figures and projections given in the programme document it would be helpful to see how this figure has been reported in previous IMF documents. I have written about this in the past but it is important and bears repeating.

There are three Fund documents prior to the one that is about to be released where the projections for external financing requirements are given, and these vary sharply in each. One is the post-programme monitoring report issued in March 2018, after Pakistan had completed a three-year programme that began in 2013. The other was an Article IV report released in July 2017. And the third is the last review of the previous IMF programme that was issued in October 2016. Between them, these three documents provide three separate snapshots of what the projections were saying for Pakistan's gross external financing requirements, and something interesting happened when you looked at all three one after another.

In October 2016, the projections showed that Pakistan's external financing requirements will rise from $15.8 billion in FY2019 to $17.5bn in FY2020. For perspective, we have just completed FY2019 and have just begun FY2020.

By July 2017, the projections in the Article IV report showed that the same requirement will rise from $16.9bn in FY2019 to $20.5bn by FY2020. And then, less than a year later, when the post-programme monitoring report was released in March of 2018, external financing requirement for FY2019 was projected at $27bn, rising to $33.8bn by FY2020.

What this means is that projections on external financing requirements, which includes financing the current account deficit, debt amortisation and payments of short-term debt from the previous period, nearly doubled between October 2016 and March 2018 (less than two years). What exactly drove this increase was never explained, nor do I know of anyone who went digging into these numbers.

Suffice it to say that in the latest of these reports, the current account deficit was projected to come in at $15.7bn in FY2018 whereas in reality it came in closer to $19.9bn, so the real figures given in the report to be released in the next few days will be higher still.

The latest projections from the monitoring report of March 2018 projected these requirements rising sharply in the years to come. In FY2023 (three years forward) the projected external financing requirement was shown as $45bn in the March 2018 report. The report to be released in the next few days will be the next snapshot we have on this figure, and if it is considerably higher, we will know that questions need to be asked about the drivers of this increase.

Of course, economic numbers don't make sense on their own. They either make sense when shown in a series or as a proportion. So the next thing to look at will be what the projections are showing about exports (not that those often pan out), and foreign exchange reserves over the programme period. If that gets too technical for lay readers, it is enough to leave it at this: keep an eye out for this figure (gross external financing needs). If it has risen significantly beyond what the last projections were showing, we'll know something is up.

Beyond this, the fiscal deficit figures will be important. The government has launched a ferocious budget that seeks a historic increase in revenue collection. If the fiscal deficit targets for the subsequent two years of the programme are similarly fierce, we'll know the ferocious hunger for revenues is here to stay for a while longer.

Of course, the key in all these programmes is the structural reforms that the government commits to. Those are also the ones they never deliver. So if you're feeling enthusiastic and earnest, go ahead and peruse what the commitments are regarding the state-owned enterprises, especially in the power sector.

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https://www.dawn.com/news/1492037

IMF PACKAGE TO BRING $38BN FROM OTHER CREDITORS

Khaleeq Kiani | Anwar Iqbal July 05, 2019

ISLAMABAD / WASHING-TON: Pakistan on Thursday welcomed $6bn bailout package approved by the executive board of the International Monetary Fund (IMF), saying it would lead to inflows of $38bn from other lenders in three years.

Speaking at a hurriedly called news conference, PM's Adviser on Finance and Revenue Dr Abdul Hafeez Shaikh said the approval of 39-month reform programme by the IMF executive board without opposition from any member would provide stability to Pakistan. "The board has given us trust to prove ourselves good partners and deliver on reform promises," he said.

He said this had improved the country's standing and other institutions had also started extending their financial support. He said the Asian Development Bank would disburse about $2.1bn out of $3.4bn agreed funds to Pakistan this year and the World Bank had also agreed to additional assistance purely for budgetary support. Discussions with the World Bank were in progress for assistance only for the purpose of government expenditure, he said.

Giving a breakdown of $38bn expected financial support from lenders other than IMF, Dr Shaikh said about $8.7bn funds had been lined up against project loans, $4.2bn for programme loans, about $14bn of rollover loans and up to $8bn in commercial loans. He did not go into details and sources of these loans.

Fund's new boss hopes that Pakistan's reforms programme could bring economic stability

Responding to a question, he said Pakistan's outflows for debt-servicing amounted to $9.5bn during the last financial year and projected at $11.8bn during the current fiscal year.

The adviser said there had been different exaggerations and unfair comments about IMF conditions while the government was in talks but it would also become clear as to what are the conditions when the IMF releases full details of the programme.

He said the government decision to enter into the IMF programme was a message to the world and other lending agencies that Pakistan was serious and ready to prove its responsibility towards managing expenditures, enhancing revenues and taking difficult decisions while protecting the vulnerable segments.

Dr Shaikh said there was also no condition or IMF demand in the programme about the privatisation as it would become clear from the documents to be released by the Fund. Instead Pakistan has to develop a comprehensive programme to decide which loss making entities could be improved and run in the public sector, which can be better run by the private sector and which require liquidation.

Pakistan has said this programme will be completed by September 2020, but there was also a possibility that we finalise the restructuring plan before this target. This is because these entities are a direct burden on the public finance and should be tackled at the earliest and if the Pakistan State Oil and Pakistan International Airlines are not being run in an efficient manner then this is not in the interest of our people.

The adviser said what should matter to all was that the IMF was an international institution from whom Pakistan could secure financial support and by taking benefit from this fiscal space set the stage for sustainable reforms in the long-term interest of the people and the country and ensure how to learn lesson from the past and not to repeat mistakes.

He said the government had given independence to the State Bank of Pakistan so that it emerged as a strong institution like others in the world.

Dr Shaikh said the IMF would release about $1bn to Pakistan by July 8 and roughly around $1bn every year envisaging an interest rate of about 3 per cent. He said the government now wanted to build a platform on the basis of which the country could return to sustainable growth trajectory.

He said it was important for Pakistan to tackle the energy sector bleeding as circular debt had gone beyond Rs1, 200bn. He said build-up of this debt was being addressed and had already been reduced from Rs38bn per month to Rs28bn and would be eliminated by the end of 2020.

In a statement the IMF's new boss David Lipton hoped that Pakistan's reforms programme could bring economic stability and catalyse international financial support for the country.

"The programme aims to tackle longstanding policy and structural weaknesses, restore macroeconomic stability, catalyse significant international financial support, and promote strong and sustainable growth in Pakistan," he said.

Mr Lipton, an American economist, was made the IMF's interim leader on Wednesday, replacing Christine Lagarde who was nominated to head the European Central Bank.

"Pakistan is facing significant economic challenges on the back of large fiscal and financial needs and weak and unbalanced growth," said Mr Lipton while explaining why did the IMF board endorse the bailout package for Pakistan.

Noting that the adoption of the FY 2020 budget was "an important initial step" towards reforming the Pakistani economy, he said that a decisive fiscal consolidation was key to reducing the country's large public debt and building resilience.

"Achieving the fiscal objectives will require a multi-year revenue mobilisation strategy to broaden the tax base and raise tax revenue in a well-balanced and equitable manner," he said.

"It will also require a strong commitment by the provinces to support the consolidation effort, and effective public financial management to improve the quality and efficiency of public spending."

The IMF also released a brief assessment of the current economic situation in Pakistan, along with a summary of the IMF programme for the country, noting that the Pakistani economy was at a critical juncture.

"The legacy of misaligned economic policies, including large fiscal deficits, loose monetary policy, and defence of an overvalued exchange rate, fueled consumption and short-term growth in recent years, but steadily eroded macroeconomic buffers, increased external and public debt, and depleted international reserves," the IMF observed.

"Structural weaknesses remained largely unaddressed, including a chronically weak tax administration, a difficult business environment, inefficient and loss making state-owned enterprises, amid a large informal economy," it added.

The IMF warned that "without urgent policy action, economic and financial stability could be at risk, and growth prospects will be insufficient to meet the needs of a rapidly growing population."

Mr Lipton, however, assured in his statement that protecting the most vulnerable from the impact of adjustment policies will be an important priority of the IMF programme.

"This will be achieved by a significant increase in resources allocated to key social assistance programs, supporting measures for the economic empowerment of women, and investment in areas where poverty is high," he said.

Mr Lipton said that a flexible market-determined exchange rate and an adequately tight monetary policy will be key to correcting imbalances, rebuilding reserves, and keeping inflation low.

He also suggested strengthening the SBP's autonomy and eliminating central bank financing of the budget deficit, which, he said, will enable the SBP to deliver on its mandate of price and financial stability.

Mr Lipton said that the government's ambitious agenda to strengthen institutions and remove impediments to growth will allow Pakistan to reach its full economic potential.

He also underlined the need to address structural weaknesses in the energy sector and improving the governance of state-owned enterprises to ensure efficiency and better services, thus boosting economic activity.

Improving the business climate, strengthening efforts to fight corruption, and enhancing the AML/CFT framework will create an enabling environment for private investment and job creation, he added.

The IMF chief noted that the strong financial support to the authorities' policy efforts by Pakistan's international partners was essential to meet the large external financing needs in the coming years and allow the programme to achieve its objectives.

The IMF also released a summary of the programme its board approved on Wednesday, which includes: A decisive fiscal consolidation to reduce public debt and build resilience, starting with the adoption of an ambitious FY 2020 budget. The adjustment will be supported by comprehensive efforts to drastically increase revenue mobilisation by 4 to 5pc of GDP at the federal and the provincial level over the programme period.

Expanding social spending: This target is to be achieved through the strengthening and broadening of safety nets to support the most vulnerable.

A flexible, market-determined exchange rate: The IMF emphasised that this was necessary to restore competitiveness, rebuild official reserves, and provide a buffer against external shocks. This will be supported by an appropriate monetary policy to shore up confidence and contain inflation, conducted by an independent central bank.

Energy sector reforms: The reforms aim to eliminate quasi-fiscal losses and encourage investment, including by depoliticising gas and power tariff setting and over the programme period, gradually bringing the sector to cost recovery.

Structural reforms: These reforms will be implemented through strengthening institutions, increasing governance and transparency, and promoting an investment-friendly environment necessary to improve productivity, entrench lasting reforms, and ensure sustainable growth.

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BACK TO THE IMF

Editorial Updated July 05, 2019

WITH only the faintest hint of ceremony, this week Pakistan entered its 13th IMF programme since 1988.

That date is significant because that is when the first of the programmes was signed that contained the conditionality for structural reforms. It sought deep reform in the tax system as well as privatisation-related conditions, liberalisation of the foreign currency transactions and the mechanisms for raising government debt, in addition to reforms in gas and power pricing and a move away from a pegged towards a more market-determined exchange rate.

Each programme since then has carried these two dimensions: macroeconomic adjustment meaning more taxes, exchange rate depreciation and interest rates hike followed by structural reform. And in each case the story has played out in the same way: the government takes the money, imposes massive hardships on the population through austerity and ‘demand compression’, then reneges on its commitments for structural reform through a patchy implementation, at best.

This cycle has repeated itself so often now that if we were to add up all the years since 1988 that Pakistan has spent inside an IMF programme, we would find that the country has spent more time inside than outside Fund programmes. And now we are gearing up for one more round.

The new Pakistan that the ruling PTI promised has kicked off with the oldest of stories — an IMF programme and solemn invocations of a familiar mantra ie ‘we inherited a broken economy’. At least the former finance minister — Asad Umar — had the courage to acknowledge this and promised that this would be Pakistan's last IMF programme, meaning he intended to ensure that this cycle of eternal return to the Fund would be broken.

His replacement — Adviser to the Prime Minister on Finance Hafeez Shaikh — who is an insider in the world of whispers that is the IFIs of Washington D.C., has made no such commitment.

It appears his brief is limited to ensuring that the adjustment dictated by the Fund is implemented regardless of the cries of pain from the factories, markets and streets of Pakistan. The only structural reforms that he is talking about at the moment is to ensure further revenue mobilisation, and perhaps a plan later this year to figure out what to do with the state-owned enterprises. So much for the Sarmaya Company that was such an integral part of the PTI's election promises.

The finance adviser is preparing us all for what he says are 'difficult decisions' ahead, decisions that are his to make and, sadly, ours to suffer. In fact, there is a difficult question that he himself must answer: is he willing to commit on record that after this, Pakistan will never need another IMF programme again? Unless he answers that question, all the talk about 'difficult decisions' will ring hollow.

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https://www.dawn.com/news/1492219/back-to-the-imf

ASIAN DEVELOPMENT BANK APPROVES $235M LOAN TO HELP DEVELOP KARACHI'S BRT

Dawn.com | Tahir Sherani July 05, 2019

The Asian Development Bank (ABD) has approved a $235 million loan to develop Karachi's Bus Rapid Transit project.

According to a press release issued by the ADB on Friday, the Karachi BRT Red Line Project will deliver the 26.6 kilometres BRT Line Red Line and its associated facilities, which they said will benefit 1.5 million individuals, who live within a km of the Red Line BRT station.

The ADB said that over 300,000 passengers are expected on the Red Line BRT routes daily.

The development bank said that it will "partially administer" two loans of $100 million each from the Asian Infrastructure Investment Bank and the Agence Française de Développement for the joint financing of the civil works of the project and its equipment costs.

"There is a need for a more sustainable, reliable, safe, and gender and environment-friendly transportation system in a city as dense and rapidly growing as Karachi. A sustainable transportation system will not only solve the city's mobility issue but also its growing pollution problem," ADB Principal Urban Development Specialist (Transport) for Central and West Asia David Margonsztern was quoted as saying.

"The BRT system, with its innovative features, will address all these issues, improving the overall quality of lives of people in the city," he added.

As per ADB, the project will restructure the entire width of the Red Line BRT corridor which includes: the construction of 29 stations, dedicated lanes, improvement of the mixed-traffic roadway with up to six lanes in each direction, inclusion of on-street parking and landscaped green areas in various locations, improvement of the drainage system to climate-proof the corridor and installation of nonmotorised transport infrastructure such as bicycle lanes, improved sidewalks, and energy-efficient street lights.

"The project will also establish sustainable BRT operations in Karachi by improving the capacity of relevant transport authorities, designing the BRT business model and subsidy-free operations, implementing a bus industry transition program, including a fleet scrapping program and compensation mechanism, developing an effective public communications campaign and delivering the BRT fleet, feeder e-vehicles, intelligent transport system, and a biogas plant."

Additionally, the ADB will administer a loan of $37.2 million for financing the biogas plant and the incremental cost of the transition from basic diesel bus technology to compressed natural gas hybrid bus technology and a grant of $11.6 million from the Green Climate Fund (GCF) for financing climate change adaptation measures, post-project emissions' monitoring activities and feeder e-vehicles.

https://www.dawn.com/news/1492262

PUNJAB CHALKS OUT JOBS PLAN WITH WB'S HELP: MINISTER

RECORDER REPORT JUL 6TH, 2019 LAHORE

The Punjab Finance Minister has said that the Punjab government has developed a 'Punjab jobs and competitiveness programme' with the assistance of World Bank to support sustainable economic development in the province. "The Punjab Spatial Strategy (PSS) is one of the key components of this programme," he said while addressing a departmental meeting at Planning and Development Board Punjab here on Friday. He further said that the Punjab Cabinet has approved the Punjab Spatial Strategy to give effect to spatial planning regime in Punjab.

"The aim to work on PSS was not only to build foundations of geospatial data in planning process of Punjab but also deploy this spatial database for effective use in policymaking, especially in relation to development programs. Using new technologies and strategies for geospatial data, Punjab can exploit alternative information sources such as acquiring remotely sensed data in addition to using conventional survey technology," he added.

According to him, the PSS is a long-term spatial planning framework for the province of Punjab. It sets out spatial policies to provide evidence-based direction to the pattern of public and private investment in Punjab, and acts as a layout plan for continuous and sustainable development in the province. These spatial policies take forward key aims of the PSS and also ensure alignment of public sector investments and spatial governance in sector of environment, agriculture, irrigation, industries and cities.

Habibur Rehman Gillani, Chairman of Planning and Development Board Punjab, who guided the approval processes and finalization of the strategy, stressed on the need for implementation of this strategy. He added that leveraging these strong foundations in spatial data and analysis will not only augment the capacities in development planning but will also integrate the individual schemes with the larger development vision set by the government.

He told the meeting that the P&D Board has been working with the Urban Unit to collect spatial data of Punjab which was analyzed under guidance of leading national and international experts. The strategy has been developed under the guidance of Dr Salman Shah, Advisor to CM Punjab on Economic Affairs, Planning and Development and Punjab Finance Minister Hashim Jawan Bakht for his continuous support and patronage in getting PSS approved, he added.

https://fp.brecorder.com/2019/07/20190706494913/

15,000 SKILLED WORKFORCE: UNDP TO PROVIDE RS 300M FOR SINDH'S YEEP

TANVEER AHMED JUL 7TH, 2019 KARACHI

The United Nations Development Programme (UNDP) will provide Rs 300 million for Youth Education Employment Project (YEEP) in Sindh to produce 15000 skilled workforce in the province. According to official documents, UNDP will provide Rs 300 million, including Rs 270 million share through international donor i.e. USAID and Government of Japan whereas UNDP shall mobilise resources for an additional amount of Rs 30 million to complement the cost share. Sindh government will also contribute Rs 300 million for the project.

The project will be implemented by UNDP Pakistan in collaboration with Sindh Education Foundation (SEF) through cost-sharing agreement. Its management and expenditures will be governed by the regulations, rules, policies and procedures of UNDP.

The project aims at providing education and vocational skills to at least 15,000 vulnerable (approx.50pc women) and at risk youth (males & females) with age bracket from 15 to 35 years (for adolescent range: 15 to 17 years while for adult youth range: 18 to 35 years.)

Target youth beneficiaries will be from entire Sindh province representing all divisions and districts. Those passed matriculation may be major focus and the programme would provide them additional education, life skills, etc, for more effective skill development and market connectivity.

For the skilled human resources under this programme, 5000 prospective jobs would be available in garment and textile sector, 2000 in automotive sector, 2000 in construction sector, 3000 in agriculture and livestock sector and 3000 in services sector.

The overall work will be guided and overseen by a Project Steering Committee to be chaired by Sindh government's Planning and Development Board and co-chaired by School Education and Literacy Department and UNDP's senior management. The Steering Committee will meet at least twice a year. The International funding agencies will also be represented in the committee.

The project will contribute towards six SDGs goals. Those include: reduction in poverty through livelihoods (SDG 1), quality education and lifelong learning (SDG 4), ensuring gender equality in training employment opportunities (SDG 5), facilitating increased employment opportunities and matching industry requirements for skilled labour, (SDG.8 and 9) and using partnership and engagements with local communities, government and national and international organisations to generate results (SDG 17).

In addition to formal employment, entrepreneurship or self-employment stream will also be pursued through partnership with Centres for Entrepreneurial Leadership and Development (such as IBA Karachi and IBA Sukkur) to ensure that youth successful start and run small businesses.

https://fp.brecorder.com/2019/07/20190707495169/

NEWS COVERAGE PERIOD FROM JULY 8th TO JULY 14TH 2019

PAKISTAN TO GET $1.65BN NET RECEIPTS OUT OF $6BN IMF PACKAGE

KhaleeqKiani Updated July 08, 2019

ISLAMABAD: Pakistan will get net receipts of about $1.65 billion in four years from the International Monetary Fund (IMF) under the just concluded $6bn bailout as it delivers on a steep macroeconomic adjustment plan.

A senior government official told *Dawn* that beginning this year Pakistan will receive a total of $6bn in about three years ending 2021-22 from the IMF, while it has to repay about $4.355bn in four years ending 2022-23, showing net receipts of $1.65bn.

He said the government is expected to receive first disbursement of about $1bn this week under the $6bn Extended Fund Facility (EFF) that would boost the foreign exchange reserves in the short term, but its repayment obligations under the previous $6.4bn EFF have already begun.

The Fund’s previous EFF had envisaged a repayment period ranging between four-and-a-half years and 10 years, with repayments in 12 equal semi-annual installments. The 12 disbursements by the IMF had started during the fiscal year 2013-14 and completed in September 2016. The repayments under that programme started in March 2019 with $532 million, including $70m interest charges, and will continue until June 2026.

Therefore, in the near term net inflows during the 39-month period of the programme from the IMF are estimated at $2.72bn. Pakistan will receive $2.3bn during the current fiscal year, followed by $1.847bn next year (2020-21) and $1.847bn in 2021-22. During the current fiscal year, Pakistan has to make repayments of $1.045bn, followed by $1.167bn in 2020-21 and $1.06bn in 2021-22. This means the net inflows will amount to $1.26bn during the current fiscal year, followed by $680m next year and $786m in 2021-22.

In contrast, there will be no inflows from the IMF during the fiscal year 2022-23, but $1.08bn repayments to the Fund will be due that year. After accounting for $532m repayments last fiscal year and due until 2022-23, Pakistan’s inflows from the Fund will be $6bn against the outflows of $4.9bn, meaning net inflows of just $1.1bn over the five-year period.

However, the programme is expected, in the words of the IMF, “to coalesce broader support from multilateral and bilateral creditors in excess of $38 billion, which is crucial for Pakistan to meet its large financing needs in the coming years”.

This will include about $8.7bn project loans, $4.2bn programme loans (mostly from the World Bank and the Asian Development Bank), about $14bn of rollover loans (from Saudi Arabia, the UAE, China, Qatar and Islamic Development Bank) and up to $8bn in commercial loans. This will also include borrowing from the international capital market at least $1bn per annum.

As part of the IMF package, Pakistan has committed a comprehensive reform programme to stabilise the economy and lay the foundation for a robust and balanced growth. That would mean the economic growth rate going down to 2.4 per cent during the current fiscal year, compared to 3.3pc of GDP last year ending June 30, 2019.

Likewise, the rate of inflation has been projected at 13pc under the IMF programme. The authorities have promised the keep the State Bank of Pakistan's policy rate at least 1.5pc higher than the projected inflation. This means the policy rate will further go up to 14.5pc from 12.25pc at present.

Also, the fiscal deficit will stay stagnant at about 7.1-7.3pc, while general government debt will further go up to almost 77pc of GDP during the current year, up from about 75pc of GDP last year. The current account deficit is estimated to reduce from 4.6pc of GDP to 2.6pc during the current year.

The government has promised in writing a decisive fiscal consolidation to reduce public debt and build resilience, starting with the adoption of an ambitious FY2020 budget. The adjustment will be supported by comprehensive efforts to drastically increase revenue mobilisation by 4-5pc of GDP at the federal and provincial levels during the 39-month period.

The government has also agreed to ensure a flexible, market-determined exchange rate to restore competitiveness, rebuild official reserves and provide a buffer against external shocks. This will be supported by an appropriate monetary policy to shore up confidence and contain inflation, conducted by an independent central bank.

The authorities will also ensure energy sector reforms to eliminate quasi-fiscal losses and encourage investment, including by depoliticising gas and power tariff setting and within three years gradually bringing the sector to full cost recovery.

The structural reforms will be ensured through strengthening institutions, increasing governance and transparency and promoting an investment-friendly environment to improve productivity, entrench lasting reforms and ensure sustainable growth.

https://www.dawn.com/news/1492745

ADB TO GIVE $10BN IN FIVE YEARS FOR DEVELOPMENT PROJECTS

The Newspaper's Staff Reporter Updated July 09, 2019

ISLAMABAD: The Asian Development Bank (ADB) on Monday said it planned to extend up to $10 billion indicative lending to Pakistan for various development projects and programmes during the next five years including $2.1bn disbursements during the current fiscal year.

The Manila-based lending agency said it had a series of country consultations to formulate a new Country Partnership Strategy (CPS), which will guide ADB's engagement in the country from 2020 to 2024. The purpose of ADB's 5-year CPS is to define priorities and to support Pakistan's development goals. The new strategy will also complement efforts by other development partners.

"ADB's partnership strategy will be aligned with the government's development vision and policies, and is expected to introduce new approaches to development financing in urban services, energy security, transport, agriculture and water resources, education, trade, and tourism," said ADB Country Director for Pakistan Xiaohong Yang.

"It will prioritise innovation, analytical support, public–private partnership, and the application of new technologies. ADB plans to provide about $2.1bn out of $3.4bn funds to support Pakistan's reform and development programmes during 2019-20," she said. In addition to public sector investments, ADB will continue to increase its private sector operations in Pakistan to stimulate growth and revitalise exports.

"ADB has planned to support Pakistan with indicative lending of up to $10bn for various development projects and programmes during the next five years," the ADB said.

Nadeem Babar, Special Assistant to the Prime Minister for the Petroleum Division, discussed the implementation of energy sector reforms. Secretary for the Economic Affairs Division Noor Ahmed, ADB Senior Adviser for Central and West Asia Muhammad Ehsan Khan, ADB Country Director for Pakistan Xiaohong Yang and ADB's Director for Regional Cooperation and Operations SafdarParvez also discussed challenges and the priorities that the country partnership strategy should address.

Representatives of the provincial governments of Punjab, Sindh, Khyber Pakhtunkhwa, and Balochistan outlined key features of their development and growth strategies.

"The new country partnership strategy is being formulated at an important juncture. ADB's concessionary and result-oriented assistance will strengthen the government's efforts to address fiscal imbalances through meaningful and robust reform programmes and development projects," said Babar.

"The consultations today signify the enduring partnership between the government and the people of Pakistan and ADB, and ADB's vital support to Pakistan in overcoming these development challenges."

The new CPS will also support the roadmap for Pakistan's economic linkages with its neighbouring countries, particularly through the Central Asia Regional Economic Cooperation (CAREC) programme.

In the next stage, more detailed strategic consultation meetings will be held in the provinces with the local governments and other stakeholders including academia, civil society, the private sector, and other development partners.

Pakistan became a founding member of ADB in 1966 and since then has received $32bn in project assistance. The country has since been working with ADB to strengthen its key infrastructure, social services, and economic growth.

https://www.dawn.com/news/1492975

IMF REPORT EXPOSES LIES OF GOVT ABOUT NEW TAXES: SHAHBAZ

The Newspaper's Staff ReporterUpdated July 10, 2019

ISLAMABAD: Pakistan Muslim League-Nawaz (PML-N) president and Opposition Leader in the National Assembly Shahbaz Sharif has said the latest report of the International Monetary Fund (IMF) has exposed the "lies" of the present government regarding imposition of new taxes in the federal budget.

In a statement issued here on Tuesday, Mr Sharif said that the government had stated on the floor of the parliament that it had imposed Rs500 billion new taxes in the federal budget whereas the IMF report said that Rs750bn new taxes had been imposed on the nation, adding that the privilege and sanctity of the parliament had been damaged by the government's lies about the new taxes.

He vowed to raise this important issue on the floor of the parliament. He also criticised the government for unprecedented increase in prices of electricity and gas.

The IMF in its report released on Monday had stated that Pakistan had entered a high tax environment for the foreseeable future with Rs1.56 trillion additional taxes this year, followed by another Rs1.5tr next year and yet another Rs1.31tr the year after.

The agreement signed with the IMF by Adviser to the Prime Minister on Finance Abdul Hafeez Shaikh and State Bank of Pakistan Governor Reza Baqir also requires an increase in electricity tariff again in August this year and ensures Rs1.3tr refunds from provinces out of the National Finance Commission share to honour its commitments with the IMF.

The projections contained in the document show that authorities have promised to increase FBR’s total tax collection from Rs3.94tr last year to Rs5.5tr this year and to Rs10.5tr by 2023-24, a cumulative increase of Rs6.564tr in five years.

Mr Sharif said the government was collecting these taxes from salaried class and businessmen of the country which was an economic terrorism. The opposition leader said that the government would not be able to achieve these revenue targets.

https://www.dawn.com/news/1493182/imf-report-exposes-lies-of-govt-about-new-taxes-shahbaz

PAKISTAN RECEIVES FIRST PORTION OF $991.4M RELEASED BY IMF

July 10, 2019

Pakistan receives first portion of $991.4 million released by IMF under the Extended Fund Facility on Wednesday.

According to State Bank of Pakistan (SBP), the first tranche of $991.4 million has been provided, increasing Pakistan's foreign exchange reserves to $15.0431 billion. Pakistan has imposed new taxes amounting to Rs 733.50 billion in the budget for the year 2019-20. IMF is extending this loan under a three year economic package.

On the other hand, IMF has issued its report on Pakistan economy and through this report, Pakistan has been asked to enhance its taxes.

The report said that Pakistan will have to scale up power tariff at the rate of Rs2.5 per unit next month.

Pakistan has clamped taxes of Rs 733.50 billion while parliament has been told that taxes have been imposed to the tune of Rs 516 billion.

The report disclosed that Pakistan will have to deposit taxes amounting to Rs 1000 billion till September.

https://nation.com.pk/10-Jul-2019/pakistan-receives-first-portion-of-991-4m-released-by-imf

PAKISTAN'S EXTERNAL DEBT ESTIMATED AT $130B BY FY23

By ShahbazRana Published: July 10, 2019

ISLAMABAD: The International Monetary Fund (IMF) has said that Pakistan's external debt will peak to $130 billion within four years – a net addition of $34.6 billion or 36.3% under the government of Prime Minister Imran Khan.

As against $95.4-billion external debt at the end of the Pakistan Muslim League-Nawaz (PML-N) term, the IMF has projected that the external debt may hit $130 billion by the end of fiscal year 2022-23, showed a staff-level report that the global lender released on Monday.

There will be a minimum net addition of $34.6 billion to the external debt despite repayment of $48 billion in five years during the tenure of the Pakistan Tehreek-e-Insaf (PTI) government. This means that the PTI government will borrow a whopping $83 billion in five years to service the old debt, finance the current account deficit and build foreign exchange reserves.

PM Imran has severely criticised a mushroom growth in the public debt during PML-N and Pakistan Peoples Party (PPP) tenures and set up a commission to investigate these borrowings. However, he is reluctant to bring his own government under the scope of the commission.

The IMF report showed that Pakistan would pay back $37.4 billion during the IMF's 39-month programme period (July 2019 to September 2022). The PTI government has already returned $9.5 billion worth of external debt in the last fiscal year 2018-19, said Federal Minister for Revenue HammadAzhar last week.

These debt projections are on the assumption that Pakistan will fully implement structural reforms under the IMF programme. The global lender said in case the country remained unable to fully implement these reforms, the external debt as a percentage of gross domestic product (GDP) could hit 60% — double the ratio left behind by the PML-N government.

According to the IMF's projections, the external debt, which was $95.4 billion or 30.3% of GDP in fiscal year 2017-18, touched $104.2 billion or 36.7% of GDP last fiscal year. The $104.2-billion external debt was equal to 345% of Pakistan's total export receipts.

For the current fiscal year, the IMF has projected that the external debt will peak at $112.5 billion, which will be equal to 43.4% of GDP. In terms of export receipts, the external debt is projected at 346%. In this fiscal year, the PTI government will also return $14.9 billion in public external debt, which means it will borrow $23 billion during the year. In next fiscal year 2020-21, the external public debt is projected to grow to $119 billion, which will be equal to 43.5% of GDP and 334% of the country's total export receipts.

In that fiscal year, Pakistan will also return $13.5 billion of public external debt. This will increase the annual external borrowings to $20 billion.

The IMF stated that under its 39-month programme, "external debt is projected to steadily decline after peaking in fiscal year 2020-21, returning to a more sustainable path".

The moderation in external debt was mainly driven by a narrower current account deficit, non-debt creating capital inflows and a recovery in economic growth, it added.

For fiscal year 2021-22, the IMF has projected the external debt at $124.6 billion, which will be equal to 42.2% of GDP and 325% of exports. The external public debt repayment in this year has been estimated at $7.6 billion, which brings the borrowing requirement down to $13.2 billion.

It seems that the IMF has assumed that Pakistan would shift its short-term borrowings to long-term debt instruments by 2021-22.

"The projected external debt path is subject to heightened risks," warned the lender. "The external debt-to-GDP ratio would be adversely affected by shocks. While sensitive mostly to current account and exchange rate shocks, the external debt ratio would reach around 60% under a real depreciation shock scenario," it added.

Coming towards the last year of the PTI government – fiscal year 2022-23, the IMF has shown the external debt at $130 billion — over 41% of GDP. The repayment of external public debt has been estimated at only $1.3 billion in 2022-23, which appears to be surprising given the total external debt size of $130 billion and external public debt of $90.2 billion by the last year of the PTI government.

https://tribune.com.pk/story/2009794/2-pakistans-external-debt-estimated-130b-fy23/

IMF BLAMES PML-N, PTI FOR INADEQUATE POLICIES

By KhaleeqKiani| 7/11/2019 12:00:00 AM

ISLAMABAD: The International Monetary Fund has implicitly blamed two political governments of the Pakistan Muslim League-Nawaz and Pakistan Tehreek-i-Insaf for misaligned policies and inadequate policy action, respec-tively, for the critical economic challenges the country is facing.
In its staff report on $6 billion bailout to Pakistan approved by its executive board earlier this week, the IMF has given a background of how the economic difficulties emerged and how corrective

measures were delayed.
Without directly naming the two governments, the IMF held the PML-N government responsible for unbalanced policies and unfinished reforms.
`Misaligned economic policies, including large fiscal deficits, loose monetary policy, and defence of an overvalued exchange rate, fuelled consumption and short-termgrowth in recent years, but steadily eroded macroeconomic buffers,increased external and public debt, and depleted international reserves,` it said.
While economic growth has been relatively fast averaging close to five per cent over the past five years macroeconomic vulnerabilities have rapidly increased on the back of weak policies supporting a consumptionand import-driven growth model. In particular, procyclical fiscal policies led to a surge in the FY2018 fiscal deficit to 6.5pc of GDP, 2.5pc higher than budgeted, pushing public debt to 75pc of GDP.
The IMF said the lacklustre progress in structural reformscontinued to hamper investment and allowed inefficient state-owned entities (SOEs) to linger and a large informal economy to expand.
While the macroeconomic deterioration, which eroded the stability gains achieved during 2013-16, had been largely due to homemade factors,theincreaseinoilprices and more limited capital flows added to this difficult picture.
Likewise, the IMF also blamed the current PTI government for delayed and yet unsatisfactory policy action for correction. Hence despite some exchange rate depreciation and significant monetary policy tightening, sizeable foreign exchange interventions contin-ued through April 2019.
`Similarly, fiscal slippages in the ñrst half of the ñscalyear have been significant despite the adoption of two budget amendments. Finally, increases in power and gas tariffs have not been sufficient to stem the accumulation of quasi-fiscal losses,` the Fund noted.
It also pointed out that sizable short-term financing from bilateral creditors provided critical financing relief, but `also deferred the urgency to tackle the underlying problems while increasing the maturing debt obligations due in coming years`.
Therefore, on the back of weakening confidence, eco-nomic activity has slowed considerably and inflation accelerated. High-frequency indicators, including the large-scale manufacturing index, domestic cement dispatches and motor vehicle sales, have continued to deteriorate, confirming a marked slowdown in economic activity.
Also, fiscal imbalances have continued to build. Despite the adoption of two supplementary budgets, the overall fiscal deficit (excluding grants) widened to over 7pc of GDP against the budgeted target of 5.1pc. `This deteriorationislargelydrivenby a significant revenue shortfall, equivalent to 1.4 per cent of GDP relative to the budget target,` the Fund noted.
It said the authorities were committed to carrying out the new programme, but the outlook was subject to considerable risks. The risks relate mainly to domestic policy implementation as well as external events. It said Pakistan`s capacity to repay its Fund obligations in a timely manner was adequate but was subject to `higher than usual risks`.
Risks to Pakistan`s repayment capacityhaveincreasedonaccountofthecontinued decline in reserves and a delay in the adoption of adjustment policies.
Adequate capacity to repay and debt sustainability will depend on strong policy implementation and adequate execution of the existing financing commitments.
The Fund also highlighted that despite the safeguards included in the design and financing of the programme, the risks to the programme were `particularly high`.
Managing successfully the transition to a market-determined exchange rate will be crucial to ensure popular support for the programme. In this respect,failure to maintain an adequately tight monetary policy could lead to exchange rate overshooting and second-round effects on inflation.
Fiscal slippages and resistance to some of the fiscal measures could undermine the programme`s fiscal consolidation strategy, thus putting debt sustainability at risk. Progress in governance and institutional building may be opposed by vested interests, weakening structural reforms and medium-term growth prospects.
Moreover, the absence of the ruling party`s majority in the upper house of parliament may hinder the adoption of legislationneeded to achieve programme objectives. Also, there is a risk that the provinces may underdeliver on their commitments to budget parameters.

Finally, a potential blacklisting by the Financial Action Task Force could result in a freeze of capital inflows to Pakistan, jeopardising the financing assurances under the programme.
Other risks, including those related to domestic security conditions, global trade, growth in major trading partners, oil prices and tighter global financial conditions, could exacerbate these challenges.

https://epaper.dawn.com/DetailImage.php?StoryImage=11_07_2019_001_006

GOVT, WB TO WORK ON REMOVING BOTTLENECKS

KhaleeqKiani Updated July 13, 2019

ISLAMABAD: The Planning Commission and the World Bank on Friday expressed concern over delays in various projects and consented to remove bottlenecks and expedite approval process at their respective ends.

The World Bank financial support is expected to be one of the key areas on the sidelines of the upcoming visit of Prime Minister Imran Khan to Washington next weekend. Pakistan is expecting the World Bank funding for budgetary support.

At a meeting on Friday, Federal Minister for Planning, Development and Reform MakhdumKhusroBakhtyar told World Bank's country director PatchamuthuIllangovan that the PTI government was eagerly looking for launch of some important projects to show its performance to the people and wanted to resolve all bottlenecks in project delays.

He said the government expected the World Bank to expeditiously process various development projects to take them to implementation stage at the earliest. He appreciated the contribution of WB in socio-economic development of Pakistan. "The incumbent government is committed to fast track the various projects being funded by World Bank," he said.

And official announcement said various infrastructure, clean drinking water, drainage and agriculture related projects being funded by the World Bank came under discussion during the meeting. Referring to K4 (Greater Karachi Water Project) and S3 (Greater Karachi Sewerage Project), the minister said provision of clean drinking water and upgrading drainage system of Karachi were among top priority of the government.

The World Bank has funding pipeline of about $7.5bn for around 40 approved projects at the federal and provincial level. About 12 projects of over a billion dollar have not been receiving planned funding because of procurement issues while almost similar number of projects were facing problems due to staffing issues, particularly the absence of project directors.

https://www.dawn.com/news/1493806/govt-wb-to-work-on-removing-bottlenecks

AIM OF IMF PACKAGE IS TO RESTORE BALANCE: MISSION CHIEF

By ppi Jul.14,2019

WASHINGTON: The overarching objective of the International Monetary Fund (IMF) programme is to restore external and internal balance in Pakistan so that the country can achieve sustainable growth, said IMF Mission Chief for Pakistan Ernesto Ramirez Rigo.

"I think the government's programme, which is now supported by the fund's programme, has two main pillars and I will develop each of them a little bit," he said on Saturday in a conference call on the release of IMF staff report on the Extended Fund Facility for Pakistan."The first pillar is obviously macroeconomic stabilisation. The second pillar is to strengthen and build institutions."

On the first pillar of macroeconomic stabilisation, which was critical for restoring external and internal balance, the focus was on the fiscal side, given the large deficits and high debt, in order to improve revenue mobilisation, he said.

According to Rigo, the main problem in Pakistan is the low level of revenue collection relative to its gross domestic product (GDP) and relative to many other emerging markets and peer countries. “So, this is where we have put our focus,” he said.

The IMF has focused on increasing revenues by broadening the tax base and not by increasing tax rates, he stressed. In addition to that, given the external sector conditions, the IMF has focused on having a flexible market-determined exchange rate, which should help restore balance, he added. He was of the view that it was going to help develop local financial markets, which were fundamental for growth and in the medium term, every country required financial deepening.

“The flexible market-determined exchange rate will also improve conditions for local producers and for the export sector,” he voiced hope. “In addition, there is a third pillar of macroeconomic stabilisation, which is to basically increase social spending.”

There was a substantial increase in

allocation for some of the social programmes in the budget, he appreciated, adding that this was something that the IMF welcomed.

He underlined that the IMF wanted to make sure that the adjustment was on the revenue side and not on the expenditure side and budget 2019-20 sent a strong signal in that direction.

“Now, let me turn to the other main pillar of the adjustment, which is building institutions. This is going to be done in parallel, so it is not the sequencing … it is going to be followed at the same time as the macroeconomic stabilisation is put in place,” Rigo said.

He noted that this was basically about improving business and doing business in Pakistan, reducing red tape, streamlining regulations, having tax policy reforms, etc.

Rigo emphasised that the IMF programme was going to act as a catalyst where the authority provided a framework in which many other international partners were to participate. “The total amount of financing that the programme is going to be unlocking is around $38 billion,” he said. “I think you might have seen already that in our press release after the approval of the programme.”

https://tribune.com.pk/story/2012785/2-aim-imf-package-restore-balance-mission-chief/?amp=1

NEWS COVERAGE PERIOD FROM JULY 15th TO JULY 21st 2019

SINDH GOVT, WB LAUNCH RS33.6B LIVEABLE CITY PROJECT

By Our Correspondent Published: July 18, 2019

KARACHI: The Sindh government, with the assistance of World Bank (WB), is going to start a Rs33.6 billion project, Competitive and Liveable City of Karachi (CLICK), next year. It is set to be completed within a period of five years.

The announcement came during the meeting of Sindh Chief Minister Syed Murad Ali Shah and a two-member delegation of World Bank, led by Acting Country Director Melinda Goods and Senior Operation Officer Amina Raja, at the CM House.

The meeting was attended by Local Government Minister Saeed Ghani, Chief Secretary Mumtaz Shah, Planning and Development Department Chairperson Naheed Shah, Principal Secretary to CM Sajid Jamal Abro, Local Government Secretary Khalid Hyder Shah and others.

The project is aimed at supporting Karachi Metropolitan Corporation (KMC), all six district municipal corporations (DMC), Karachi district council and excise and taxation department in carrying out a detailed property survey of the city.

The CM directed the chief secretary to hold a joint meeting of KMC, DMCs, district council and excise and taxation department to prepare a plan to formally devolve the collection of property tax. “I am keen to financially strengthen the local bodies in the city so that they emerge as self-sufficient organisations,” he said, adding that under the project, capacity building of the related local bodies would also be ensured to facilitate them for the task of collecting property tax.

The CM said that the Karachi Water and Sewerage System Improvement Project (KWSSIP) would also be launched with the financial assistance of $1.6 billion from the World Bank. The payment will be made over the course of 12 years. Under the project, the Karachi Water and Sewerage Board (KWSB) would be overhauled. “I am committed to making KWSB a self-sustainable and efficient service providing organisation,” said Murad.

The World Bank delegation and the chief minister also discussed the modalities and implementation methodology in their meeting.

Planning and development department chairperson informed the meeting that the first phase of the scheme of overhauling KWSB has been approved for Rs14.7 billion, over a period of five years.

The KWSSIP is divided into three phases. The first phase, estimated to cost $400 million, focuses on improving water and wastewater services and a defined set of institutional reforms to transform KWSB into a financially viable utility.

Under the project, the World Bank would finance $400 million three investment plans of KWSSIP that include reform in KWSB of $30 million, securing sustainable water supply and sewerage of $350 million and project management and studies of $20.00 Million.

Karachi Urban Management Project (KUMP) has been renamed the Competitive and Liveable City of Karachi (CLICK). It is a $250 million project which will be completed within five years. The project has three components such as performance-based block grants to Karachi urban local councils of $120 million, strategic infrastructure investment and capacity building in integrated stormwater drainage and solid waste management of $50 million and support for urban immovable property tax reform and institutional capacity building of $30 million. The tax reform component includes support for improvement and devolution of Urban Immovable Property Tax (UIPT).

The performance-based block grants to Karachi urban local will finance formula-based block grant to KMC and the six DMCs upon achievement of results. It will provide an incentive to urban local councils to improve their institutional performance and capacity in areas of investment planning and execution, financial management, procurement, business environment, and citizen engagement.

The grants would be used to fund local level infrastructure and municipal services within respective mandates of KMC and the DMCs for the improvement of Karachi's liveability and competitiveness. Indicative eligible investments may include small secondary or tertiary drainage works, municipal roads, street lighting, parks and other public spaces, public buildings and markets.

Strategic infrastructure investment and capacity building in integrated stormwater drainage and solid waste management will finance the strategic city-wide, inter-jurisdictional infrastructure needed to enhance Karachi's liveability and competitiveness. The component will focus on two interlinked sectoral interventions of integrated stormwater drainage and solid waste management (SWM) and include the development of drainage and SWM master plans, financing models, public awareness campaigns, feasibility studies for private financing models, etc.

Support for urban immovable property tax reform and institutional capacity building will be a support for improvement and devolution of UIPT. This sub-component will support the devolution of administrative functions of the UIPT to local bodies of Karachi. A phased roadmap to implement the administrative improvements and devolution of urban property tax and its respective institutional model has been developed, to substantially increase public revenues, through UIPT reform.

Reform activities to be supported during Phase-I include comprehensive all-Karachi property survey to update property tax database and fiscal cadaster and digitisation of the property tax base for all six districts in Karachi.

Phase-II may focus on deeper reforms of the property tax system. The collection function may be devolved to DMCs in a phased and gradual manner, whereas several options are being considered for provincial-level management of an ICT platform that manages the property register.

The sub-component, institutional capacity building and implementation support, will finance supply-side capacity building interventions for Karachi local governments in areas of financial management, project implementation, social and environmental management and technical assistance to enhance metropolitan coordination between the local bodies.

Support for enhanced regulatory environment and infrastructure financing for competitive Karachi will support developing a strategy, roadmap and institutional architecture for infrastructure financing model and enhancing the regulatory environment for improved competitiveness in Karachi. The main activities to be financed include technical assistance and feasibility studies for developing and setting up a proposed Karachi Infrastructure Fund (KIF) and a technical assistance programme targeted at KMC and DMCs for piloting public-private partnerships for service and infrastructure provision. This component will finance improving regulatory and doing business environment, by simplifying, streamlining, modernising and automating regulatory governance, and improving commercial dispute resolutions, particularly related to property rights.

The project's main coordinating agency would be the local government department. A Project Management Unit (PMU) would be established to provide overall coordinating and necessary technical assistance to Karachi's local councils. The project's executing agencies for specific interventions under this arrangement will be KMC, DMCs, KWSB and excise and taxation department.

https://tribune.com.pk/story/2015687/1-sindh-govt-wb-launch-rs33-6b-liveable-city-project/

CONSENSUS MUST FOR PROGRAMME SUCCESS: IMF

Mubarak Zeb Khan Updated July 20, 2019

ISLAMABAD: The International Monetary Fund programme faces significant risk from a failure to build political consensus around its key components, the IMF resident representative to Pakistan has said. Failure to get off the 'grey list' of the Financial Action Task Force (FATF) could also complicate access to private financing from global markets, she pointed out.

Teresa Daban Sanchez made these observations during a policy symposium titled Pakistan Economy and IMF Programme: Challenges and Opportunities, held at the Sustainable Development Policy Institute (SDPI) here on Friday. Special Assistant to the Prime Minister Dr Shamshad Akhtar, FBR chairman Shabbar Zaidi and Dr Abid Suleri also spoke on the occasion.

While listing the risks facing the programme, Ms Sanchez put political risk at the top. "In the programme there are certain actions which require legislation, or change in the legislation, and for that you have to go to the National Assembly," she said. "The government right now has no majority" to pass legislation, she pointed out. "We need to create consensus, we need to convince, and we need to create some kind of support," she told the audience.

The words echo concerns already voiced by the IMF in its programme document released last week. "[T]he absence of a majority by the ruling party in the upper house [of parliament] may hinder the adoption of legislation needed to achieve programme objectives," the Fund staff said in that document.

The government has committed to making amendments to the State Bank Act, Nepra Act, Anti-Money Laundering Act and the State-Owned Enterprise Act as part of the IMF programme. Failure to make these legislative amendments will mean the government will have to seek waivers as the programme reviews get under way. The first review is due in December.

After political risk, Ms Sanchez said, failure to get out of the FATF 'grey list' could have implications for private capital inflows in the ongoing fiscal year. "Pakistan has to get out of the grey list," she emphasised. However, she said Fund disbursements as well as those by other multilateral lenders such as the World Bank and Asian Development Bank have nothing to do with this listing. "The Fund continues to work with countries even if they are in the blacklist," she added.

Private inflows are a different story however. For the current fiscal year, which ends July 2020, the Fund has projected an external financing requirement of $25.62 billion and it has identified available financing totalling $27.6bn. Of this amount, $7.2bn is projected to come from private creditors, ones who would be sensitive to Pakistan's continued placement in the grey list.

At the same time, Ms Sanchez said, Pakistan would have to capitalise on funding from the World Bank, Asian Development Bank and other bilateral creditors. The programme is expected to unlock broader support from multilateral and bilateral creditors in excess of $38bn, which is crucial for Pakistan to meet its large financing needs in the coming years.

She also pointed out that resistance to the programme measures would be stiff, but the government would have to show resolve to stay the course. "The vested interest people who are going to be affected by the new measures may create some kind of resistance, creating difficulties," she said, adding that there would be opposition to these reforms as well.

Additionally, cooperation of the provinces has to be obtained to generate the kinds of surpluses the government is relying on to meet its fiscal deficit target for the current fiscal year.

FBR Chairman Shabbar Zaidi said the incumbent government and the IMF were on the same page as there was no disagreement by the government on the measures proposed by the Fund, especially the taxation measures. He said the government would not bow to pressure, protests and excuses of the business community and industry.

Dr Shamshad Akhtar, who was finance minister in the last caretaker government, said stabilisation of the economy was very critical for growth of the country, where one should not look at stabilisation in isolation, rather a step forward towards the economic growth.

She said that "there is no gain without pain", and that was what stabilisation was based upon. After the period of stabilisation, coupled with key structural reforms across the board, the economy would get out of the crisis, she added. The major economic challenge of the country is high consumption, low production and low savings and investments. The gap is widening between saving and investments, which pushed the country to seek foreign assistance, she added.

https://www.dawn.com/news/1495118/consensus-must-for-programme-success-imf

FRANCE TO PROVIDE €50M CREDIT FOR POWER PLANTS

By Our Correspondent Published: July 20, 2019

ISLAMABAD: France on Friday committed to provide €50 million in credit and €0.2 million worth of grant for the rehabilitation of Chitral and Dargai hydroelectric power plants.

The main objective of the funding is to meet current and future electricity needs of Chitral and Malakand regions.

France, through the French Agency for Development (AFD), is already providing technical and financial support in the energy and urban development sector in Pakistan, where financial support worth €610 million has been committed since 2016.

Economic Affairs Division Secretary Noor Ahmed, French Ambassador Marc Barety and AFD Country Director Jacky Amprou signed the credit facility agreement worth €50 million and the grant agreement worth €0.2 million. This funding will allow the modernisation of Chitral and Dargai hydroelectric power plants as well as increase the generation capacity from 20 megawatts to 22MW for the Dargai plant and from 1MW to 5MW for the Chitral plant.

The main objective of the project will be to provide adequate facilities for generation, transmission and distribution of energy to meet current and future needs of Chitral and Malakand regions. This will also result in industrial, agricultural and economic development in the regions.

https://tribune.com.pk/story/2017226/2-france-provide-e50m-credit-power-plants/

NEWS COVERAGE PERIOD FROM JULY 22nd TO JULY 28th 2019

ACCEPTING AID

Themrise KhanJuly 22, 2019

PAKISTAN continues to be dependent on international financial institutions, through the provision of billions of dollars of loans for physical infrastructure and debt servicing. But it has also been a long-time recipient of overseas development assistance or ODA, the much younger sibling of the country bailout plan.

This assistance has primarily targeted social services in Pakistan including but not limited to, health, education, women's empowerment, micro-credit, access to justice, democratic reform and rural development.

While Pakistan has been and still remains in dire need to improve its commitments and performance in these and other similar sectors, it is important to ask, can we do this without the financial assistance of international donors? And secondly, should we do this without them?

The obvious answer should be, yes. But the reality is that the lack of institutional human resource capacity, an outdated bureaucracy, financial mismanagement, and massive debt, continue to deprive these sectors of their due share. ODA brings some relief by providing much-needed infusions of cash and technical expertise. Much of this is also grant funding which Pakistan does not need to pay back.

According to the OECD, ODA to Pakistan has seen a consistent increase over the last 20 years — from $900 million in 1997 to $2.283 billion in 2017. The US is the largest contributor of total ODA to Pakistan.

But despite decades of investment by international donors to improve Pakistan's social infrastructure, the dial hasn't shifted very far. Pakistan's Human Development Ranking for 2018 lists us 150th out of 189 countries. In 2017, Pakistan ranked 133 out of 189 in the Global Gender Inequality Index. We stand at 117 out of 189 on the Global Corruption Index (GCI), down one further from 2016.

So why do donors continue to invest in Pakistan? Likewise, why does Pakistan continue to accept such aid whenever it is offered, knowing (or possibly unknowingly) that its impact is minimal?

There is obviously a geopolitical angle to this, given Pakistan's strategic placement in South Asia, our history in armed conflict and militancy. Both Pakistan and donor countries have a global stake to claim.

But the willingness of Pakistan to accept ODA and not question its success, also gives international donors leverage, as they consistently point towards the frustrations of having to work within the confines of a corrupt and non-responsive system which does not produce results. And rightly so. Several projects are invested in, technical support and advice provided and then simply forgotten by our governments.

But there is also a frustration on our part towards donors, through their insistence on developing programmes according to their priorities — which are set not necessarily on a country-by-country basis but where the donor countries themselves feel the need to intervene. And our own lack of leverage and inadequate capacity does not allow us to debate this to the contrary.

These complex relationships show that unfortunately, if current trends of apathy and corruption in state mechanisms continue, we will continue to seek ODA.

The second question then is, should Pakistan and countries like it, do without external help? In an ideal scenario, absolutely. But how is this possible?

It is possible if we learn how to drive both the discussion and the agenda of international aid assistance in our own countries. And this we can only do if we periodically step back from such assistance and analyse our failures and successes where they may be. This does not mean depending on donor-funded evaluations of their own programming, but independent non-partisan evaluations initiated by the government of bilateral and multilateral ODA received.

Though not without its own concerns, ideally, this should be the responsibility of agencies like the Planning Commission or the Economic Affairs Division which allows international agencies to operate in Pakistan. And we should leverage the expertise of human resources available within our own civil society, academia and even our overseas diaspora for this. We do not need foreign consultants to come and identify our priorities for us. Exchange of information is one thing, but having plans and priorities, even policies written for us by outsiders, is totally another.

We do not need an international donor to fund us to realise that issues such as judicial reform, women's rights, universal education for boys and girls or corruption, are imperative for a society to flourish. And while ODA has its benefits of international collaboration and exchange of vital knowledge, we must learn how to control and guide the narrative ourselves.

It may take a long while in the making, but we must start now.

The writer is an independent researcher, social policy analyst and lecturer in international development, and global migration.

https://www.dawn.com/news/1495509/accepting-aid

IMF URGES PAKISTAN TO MOBILISE REVENUE

Anwar Iqbal July 23, 2019

WASHINGTON: The International Monetary Fund (IMF) has urged Pakistan to mobilise domestic tax revenues to ensure funds for social and development programs and to overcome its acute debt problem.

The IMF's Acting Managing Director David Lipton said he discussed key economic issues confronting Pakistan with Prime Minister Imran Khan on Sunday in Washington.

"I highlighted the need to mobilise domestic tax revenue now and on into the future to provide reliably for needed social and development spending, while placing debt on a firm downward trend," Lipton wrote in a brief statement released after the meeting.

In May, the IMF agreed to a $6 billion bailout package for Islamabad after the government unveiled an austerity budget and introduced painful reforms to secure funding and address economic crisis.

The bailout allows for an immediate disbursement of $1bn and will unlock about $38bn in investment from Pakistan's international partners.

Lipton's meeting with the prime minister focused on Islamabad's efforts to implement the bailout package and on how the IMF could help ease the country's economic woes, a senior Pakistani official told Dawn.

Lipton also emphasised this point in his statement, saying: "We discussed recent economic developments and the implementation of the authority's economic reform programme supported by the IMF."

He said the government's reforms program "aims to stabilise the economy, strengthen institutions, and thereby put Pakistan on a path of sustainable and balanced growth."

The acting chief said his organisation, together with other international partners, is working closely with the government to support implementation of economic reform programme.

World Bank President David Malpass, who also met the prime minister on Sunday, said their talks focused on government's policies to transform the Pakistani economy.

"Just concluded constructive meeting with Pakistan PM Khan where we discussed his important ideas on transformational policies to accelerate equitable growth and job creation for Pakistanis," he wrote in a tweet.

Although the prime minister's visit aims at rebuilding ties with the US, he seems equally focused on efforts to jump start the country's ailing economy.

Besides the two chiefs of the World Bank Group, the prime minister also met scores of US and Pakistani-American businessmen.

Pakistan hopes the IMF programme will help rebalance its economy and strengthen its balance of payments position.

Pakistan is also seeking foreign direct investment as part of the China-Pakistan Economic Corridor projects and loan packages from other international partners to further augment its economy.

https://www.dawn.com/news/1495711

PAKISTAN BORROWS RECORD $16B IN JUST ONE YEAR

By Shahbaz Rana Published: July 23, 2019

ISLAMABAD: For the first time in its history, Pakistan borrowed a whopping $16 billion in foreign loans in just one year aimed at avoiding default on international debt obligations and financing its imports.

The $16 billion worth of foreign loans have been obtained during fiscal year 2018-19, which included 11 months of the Pakistan Tehreek-e-Insaf (PTI) government, showed official documents of the federal government.

Out of the $16 billion, the PTI government took $13.6 billion worth of loans – the highest ever by any government in a single year. The remaining $2.4 billion had been received in July 2018 during tenure of the caretaker setup.

The $16-billion loans in the just-ended fiscal year included disbursement of $5.5 billion by Saudi Arabia, the United Arab Emirates and Qatar. However, the data that the economic affairs ministry will publish this week will not show $5.5 billion as part of federal government loans, according to sources.

The government would officially disclose loan disbursements for fiscal year 2018-19 at $10.5 billion, the sources said. The remaining $5.5 billion has been booked on balance sheet of the State Bank of Pakistan (SBP).

Sources said rupee cover had also not been generated against the $5.5 billion worth of borrowing.

Initially, $2 billion in Chinese SAFE deposit was also not part of the external public debt. However, Chinese loans have now been made part of the federal public debt due to the International Monetary Fund's (IMF) pressure.

"Deposits from the UAE and Saudi Arabia are held with the SBP. These deposits were not available for financing the government's budgetary operations. However, these are part of the SBP reserves," said Dr Khaqan Najeeb, spokesman for the finance ministry, while commenting on the development. He said these inflows were contracted by the SBP and were accordingly categorised as "deposits with the SBP".

In the preceding fiscal year 2017-18, Pakistan had obtained $11.4 billion in foreign loans. Loans of $16 billion in FY19 were the highest ever external borrowing in any fiscal year since Pakistan's creation. About 42% or $6.7 billion of the total external borrowing came from China alone. It included $2.54 billion in commercial loans, $1.6 billion under the China-Pakistan Economic Corridor (CPEC), $2 billion in China SAFE deposit and $628.4 million for Karachi nuclear power plants.

In fiscal year 2017-18, China had given $4.5 billion to Pakistan.

The government's decision to let the rupee depreciate by over 26% against the US dollar would adversely impact the country's ability to repay debt. Total external debt and liabilities' data for the full last fiscal year was not yet available.

As of the end of third quarter of the previous fiscal year, the country's external debt and liabilities amounted to $105.8 billion.

About three weeks ago, the newly appointed economic affairs minister stated that the government returned $9.5 billion in foreign loans in the last fiscal year. This means that the government has added at least $6.5 billion to the public debt in its first year in power.

This is the third time in Pakistan's history that any government has taken over $10 billion in fresh foreign loans in a single year. The $16 billion in loans were 71% or $6.7 billion higher than the government's own estimates.

The government had to heavily rely on foreign loans due to a steep decline in foreign direct investment, negative growth in exports, although contained but a still higher import bill and above all repayment of maturing debt.

PM Imran had claimed that foreign investors had promised to make big investments. However, the central bank data showed a steep fall in foreign direct investment, which stood at only $1.7 billion, down over 50%.

Like the Pakistan Muslim League-Nawaz (PML-N), the PTI government also relied on short-term foreign commercial loans. Against the budgetary estimate of $2 billion, the PTI government took $4.1 billion in foreign commercial loans.

Of this, $2.6 billion came from Chinese financial institutions. The government took $2.2 billion from China Development Bank and $300 million from Industrial and Commercial Bank of China.

The government also obtained $242.5 million from Noor Bank of the UAE, $495 million from a consortium led by Credit Suisse, $554.3 million from Dubai Bank and $271.6 million from Ajman Bank, according to official documents.

Bilateral economic assistance that the government showed in its books stood at only 10.8% or $1.7 billion of the total fresh borrowing. Of this, $1.6 billion was disbursed by China, mainly for CPEC. The $5.5 billion from Gulf countries has not been shown as part of bilateral economic assistance.

Loans from multilateral lenders were recorded at just $2 billion or 12.5% of the total assistance as against the target of $3.4 billion. The Asian Development Bank gave a mere $497.5 million in fresh loans, far lower than the $1.4-billion target.

World Bank lending stood at $616 million against the target of $812 million. The Islamic Development Bank disbursed $825 million against the target of slightly over $1 billion.

For the new fiscal year 2019-20, the IMF has projected Pakistan's gross external financing requirement at $25.6 billion. This includes $6.6 billion in current account deficit financing and $18.2 billion in external debt repayment by both public and private sectors.

Public sector debt repayment has been estimated at $14.5 billion for this fiscal year.

https://tribune.com.pk/story/2019072/2-pakistan-borrows-record-16b-just-one-year/

GOVT RECEIVES $16.314BN IN FOREIGN AID: EAD

July 25, 2019
ISLAMABAD: Pakistan received $16.314 billion in foreign assistance during 2018-19, including loans from friendly countries, 42 percent higher than the $11.486 billion borrowed the year before, according to data released by the Economic Affairs Division (EAD).
The country provisionally received $10.814 billion foreign assistance during financial year 2018-19 (including from China), and $5.5 billion loan from friendly countries - $3 billion each from Saudi Arabia and United Arab Emirates (with one billion dollar yet to be disbursed) and $500 million from Qatar.
EAD data released on Wednesday shows that the PTI-led government borrowed $369.89 million from foreign commercial banks in June, bringing the total to $4.097 billion under this head in 2018-19 compared to $3.716 billion during 2017-18. The PML-N government had budgeted foreign assistance of $9.69 billion for 2018-19 including grant of $394.34 million and $9.297 billion loans, as shown in the EAD data.
According to the data, the country received over $10.814 billion foreign assistance in 2018-19 including $10.484 billion in loans and $329.72 million grants. The country provisionally received $999.02 million in June 2019.
Foreign commercial loans exceeded the annual estimate of $2 billion as the country borrowed $4.097 billion in 2018-19. The government borrowed $369.89 million from Dubai Bank in June bringing the total to $554.33 million during 2019.
The government borrowed $2.234 billion from China Development Bank, $300 million from Industrial and Commercial Bank of China (ICBC), $271.5 million from Ajman Bank PJSC, $495 million from a consortium of Credit Suisse AG, UBL and ABL and $242.5 million from Noor Bank

during 2018-19.
Pakistan received about 40 percent or $6.8 billion of its total external borrowing from China including $2.64 billion in commercial loans, $1.6 billion under the China-Pakistan Economic Corridor (CPEC), $2 billion in China SAFE deposit and $628.4 million for Karachi nuclear power plants.
USA disbursed $96.34 million against the budgeted estimates of $91.11 million, UK, $87.93 million against $157.22 million, France $88.12 million against $35.75 million, Germany $15.23 million against $24.54 million, Saudi Arabia $59.96 million (same was budgeted), Japan $67.22 million against $40.35 million, IDB (S-Term) $819.69 million against $1 billion, World Bank $652.75 million against $860.48 million and Eco. Trade Bank $39.80 million during 2018-19.—TAHIR AMIN

https://epaper.brecorder.com/2019/07/25/5-page/793025-news.html

UPGRADING OF F-16S: PAKISTAN TO GET RS20 BN US SUPPORT

Wajid Ali Syed July 28, 2019

WASHINGTON: The tense relations between Pakistan and the United States have begun to thaw, as the US Department of State on Friday approved $125 million support programme for technical security in continued support of Pakistan’s F-16s.

The development came in the wake of recent fruitful discussions between US President Donald Trump and Prime Minister Imran Khan, with the latter full of praise for Pakistan and its indefatigable efforts for promotion of long-lasting peace and stability in the region in particular and the world in general.

The State Department made the determination to approve "a possible Foreign Military Sale to Pakistan for Technical Security Team in continued support of the F-16 programme for an estimated cost of $125 million."

The Defense Security Cooperation Agency (DSCA) has also delivered the required certification notifying Congress of this possible sale.

According to a press statement by the agency, the Government of Pakistan requested continuation of technical support services, US Government and contractor technical and logistics support services and other related elements of logistics support to assist in the oversight of operations in support of the Pakistan Peace Drive advanced F-16 programme.

The proposed sale will support the foreign policy and national security of the United States by protecting US technology through the continued presence of US personnel that provide 24/7 end-use monitoring, the statement said, adding, "The proposed sale of this support will not alter the basic military balance in the region."

Implementation of this proposed sale will require the assignment of 60 contractor representatives to Pakistan to assist in the oversight of operations as part of the Peace Drive F-16 programme.

"There will be no adverse impact on US defense readiness as a result of this proposed sale. The notice of a potential sale is required by law and does not mean the sale has been concluded," the notice said.

The US Congress still has to pass the programme for Pakistan to finalise the deal.

Islamabad had been purchasing high-end defence equipment from the US companies, including various variations of F-16 multirole fighter planes.

The support provided to Pakistan includes training, technical and logistical to keep up with maintenance and oversight.

https://www.thenews.com.pk/print/504641-upgrading-of-f-16s-pakistan-to-get-rs20-bn-us-support

NEWS COVERAGE PERIOD FROM JULY 29th TO AUGUST 4th 2019

IMF GIVES DEADLINE FOR TRACK & TRACE SYSTEM

By Irshad Ansari Published: July 31, 2019

ISLAMABAD: The International Monetary Fund (IMF) has asked the government to ensure that the system to electronically monitor the production and supply of cigarettes and other products of tobacco is completely operational by March 2020.

The lending agency has also directed the relevant departments that to meet this deadline, the bidding process should be completed by September 2019 and successful bidding company should be issued the license to implement this Track & Trace System. The IMF has also asked the government to withdraw the legal provisions aimed at limiting the tax audit.

While confirming these directives of the IMF, the officials in Federal Board of Revenue (FBR) said to award the contract for installation of Track & Trace System, applications would be called from the interested companies from next week and the successful bidder will be issued license.

However, the Ministry of Finance through a letter (copy of which is available with The Express Tribune) has informed the FBR that under the Memorandum of Economic Framework Program

(MEFP) agreed with IMF for the release of six billion dollars loan, no amnesty scheme would be introduced until the end of the program. Confirming these IMF conditions Finance Ministry directed the FBR to withdraw all those provisions that place limit on audit and meet all the deadlines to issue license and implement the system accordingly.

In this regard, the Ministry of Finance has also asked the FBR a certificate stating the implementation of the targets of Structural Benchmarks within the stipulated timeframe should also be submitted to the ministry.

When contacted, the FBR officials said that process has already been initiated to implement the conditions of the IMF and to meet given deadlines. A draft amendment notification is also being prepared to withdraw the provisions placing limits on tax audit and will soon be forwarded to the law division for consent.

They said all necessary work has been completed for the bidding of licenses to implement the electronic monitoring system for the production and supplies of

Sugar, beverages, cement and fertilizer besides other goods and products.

According to sources, with the implementation of this system, which has already been delayed by nine years, FBR would be able to generate additional revenue of Rs20 billion through Sales Tax.

These sources said that former finance minister, Asad Umer had expressed his annoyance over the delay in implementation of Track&Trace System project, and had not only directed to introduce the system for monitoring of tobacco products until March 2020 but also formed a two-member committee to look into the reasons for the delay and fix responsibility so that action could be taken against officers causing the delay. The committee was given one month time to complete the inquiry. But with the retirement of the committee chairman, Tanvir Akhtar, no progress could be made in this regard and with Asad Umer also resigning the inquiry was wrapped up.

However, after taking over charge of adviser on finance Dr Hafeez Sheikh has ordered to complete the process within the timeframe given by IMF. Sources said that with the implementation of the system, the cigarettes sold without stamp will be seized and actions will be taken against vendors who sold without stamp.

The manufacturers will bear the cost of Track &Trace System project, said the sources adding that stamp being introduced by the State Bank of Pakistan to check evasion of Federal Excise Duty will ensure foolproof system.

https://tribune.com.pk/story/2024965/imf-gives-deadline-track-trace-system/

PAKISTAN TO GET 13 MILLION EUROS FROM EUROPEAN UNION

By Irshad Ansari Published: August 4, 2019

ISLAMABAD: The federal government has decided to initiate a five-year programme 2019-2024 in cooperation with the European Union to ensure rule of law in the country along with good governance, reforms in human rights department and decrease in poverty with a cost of 13 million euros.

The draft between Pakistan and European Union on Public Financial Management Support Programme (PFMSP)-2 two has been agreed and EU has responded to Pakistan.

The finance ministry has sought final advice from the concerned departments and divisions on the reply sent by EU to finalize the agreement.

According to the documents available with *The Express Tribune,* the finance ministry has sent a letter to the concerned ministries and divisions stating that in view of the comments and advice received by EU, the final draft of the programme has been shared with the economic affairs division and for the purpose, Federal Board of Revenue’s customs and in land revenue departments need to give final opinion.

The FBR has been directed to forward its comments so that the draft can be given final shape for signatures.

When the officials of economic affairs division were contacted, they replied that the ministries and divisions along with the FBR and in land revenue department had been asked to submit comments by July 19, which so far have not been received.

However, the FBR officials said that the concerned departments have been sent a copy of the draft and it is expected that by the next week, a report based on the comments and suggestions will be sent to the ministry.

Sources said that the project will cost 13 million euros and the amount will be provided by the EU. The reform programmes will be introduced in Islamabad, Sindh and Balochistan to bring improvement in public financial management.

The draft of the programme said that the manifesto of Pakistan Tehreek-e-government had reduction in poverty, social imbalance and other purposes and through legal reforms, access to services and information, empowering people by making the local governments strong and access of education, health, economic opportunities and legal protection for women included.

Under the programme, a comprehensive process of public financial management reforms will be initiated in Sindh and Balochistan, while at federal level mid-term budgetary framework process will be improved.

According to public financial management reforms for economic progress, improvement in financial system, promoting equality, improving utilization of financial resources, increasing transparency and accountability for better service delivery and strategies will be devised and implemented.

It has been conveyed in the documents that there are three major weaknesses at the federal level, of which, image of the budget tops the list, while an incomplete development budget along with changes in the financial year carried out continuously shows major deviation.

Meanwhile, the finance ministry and the ministry of planning possess a very weak control over the issuance of the budget.

In Ministry of Finance and Ministry of Planning, there are weaknesses in macro forecasting, inappropriate modeling and public investment management planning.

The officials of the economic affairs division expect that during the current month, the draft will be given the final shape and progress will be made on the agreement, while its implementation will also start this year.

https://tribune.com.pk/story/2027794/1-pakistan-get-13-million-euros-european-union/

AUGUST 2019

NEWS COVERAGE PERIOD FROM AUGUST 05th TO 11th

13TH IMF BAILOUT MAY BE ANOTHER ‘SUCCESSFUL FAILURE’

By dr manzoor ahmad Aug.05,2019

ISLAMABAD: Pakistan’s 13th International Monetary Fund (IMF) programme in the last 30 years has some uncanny resemblances with the Apollo 13 mission, which is commonly referred to as a “successful failure”.

In both cases, the original team had to be replaced at the last minute due to its purported laxity with the preparatory work. The Apollo 13 mission failed to land the astronauts on the moon, but the crew was brought back safely.

Indications are that the IMF's package may turn out to be something similar – not succeeding in putting the economy on the growth path but enabling other donors to pump some loans and sustain it in the short run.

In many ways, the IMF requirements for the current package are similar to several earlier bailout packages. But there are at least three features that distinguish it from the previous ones.

First, the key demand is for a "drastic increase in revenue". Second, this package is going into some untouched territories like asking the government to meet demands of the Financial Action Task Force (FATF) and has made it clear that "a potential blacklisting by the FATF could result in a freeze of capital inflows into Pakistan, jeopardising the assurances of financing under the programme".

Third, unlike the previous packages, this one is much softer on the pace of structural reforms.

Considering the IMF's requirement for a drastic increase in revenue, the government has started taking several tough measures, which are having seriously adverse impact on economic growth and investment. Also distrust between the government and businesses has risen sharply.

In such an environment, the possibility of collecting Rs5.5 trillion in federal taxes in the current fiscal year – a 43% increase over last year's collection of Rs3.83 trillion – seems far-fetched. An even more difficult task would be to maintain a similar pace over the next four years and achieve the target of Rs10.5 trillion by 2023-24.

Unfortunately, there is not much space left for raising more taxes. Although the IMF believes that "the withdrawal of GST exemptions and preferential rates will significantly improve revenues", judging by the past experience it is not likely to happen.

In fact, one of the reasons for introducing the zero-rated scheme for sectors like textile was that they usually managed to get more money through refunds than what they actually paid in taxes.

Although the IMF considers that the recent hike in prices of gas and electricity as insufficient and is asking for regular upward quarterly adjustments, this is going to be strongly resisted as people's buying power has already declined due to steep rupee devaluation and increase in tax rates.

By acknowledging that there is a "limited scope to reduce spending", the IMF seems to be condoning wasteful expenditure. Would it not have been better if the IMF document had also insisted on a "drastic reduction in expenditure" while asking for a "drastic increase in revenue"?

This would have nudged the government to consider doing something about reducing subsidies, bloated civil and military bureaucracies, dozens of ministries and having so many foreign missions that only rich nations can afford.

As for the state-owned enterprises, the IMF document mentions some requirements such as improving governance, cost recoveries, restructuring and privatisation. But these conditions are soft as compared to those laid out for raising revenues.

The IMF acknowledges that losses in the three largest state-owned enterprises (Pakistan International Airlines, Pakistan Steel Mills and Pakistan Railways) have continued to accumulate, now totalling over 2% of gross domestic product (GDP). But it is not asking for any immediate action other than conducting an immediate audit of PIA and Pakistan Steel Mills.

The government's current plans are to privatise the recently established modern profit-making power plants but delay any serious action on the more seriously money-guzzling entities.

The IMF document also lacks strong emphasis on raising exports, improving human resources and related reforms. Since 2008, Pakistan’s exports have been stagnant between the $20-25 billion range.

There may be many reasons but one thing is obvious: Pakistan’s trade policies have a lot to do with this. The IMF is asking for “reducing customs-related processing time and reducing hours to prepare import/export documents” but it would have been better had the IMF asked the FBR to fully implement the WTO’s Trade Facilitation Agreement and bring its customs tariff rates on a par with other competing countries.

Similarly, despite repeated commitments, Pakistan’s spending on social sectors has been lagging behind other competing countries. The IMF acknowledges that literacy rates in Pakistan remain low relative to its peers (60% vs 80%), especially among women, but is not asking for any drastic increase in spending on these sectors. All in all, the current IMF programme seems biased towards increasing revenue than putting Pakistan’s economy on a sustainable growth path through curtailing wasteful expenditure, improving human resources and raising exports.

https://tribune.com.pk/story/2028191/2-13th-imf-bailout-may-another-successful-failure/?amp=1

EXITING FATF GREY LIST VITAL FOR $6B IMF DEAL: DABAN

By Shahbaz Rana Published: August 6,2019

ISLAMABAD: An exet from the grey list of the Financial Action Task Force is critical for the stability of the financial system and securing private sector credit to meet external financing needs, International Monetary Fund Resident Representative Teresa Daban says.
"Failure to exit from the FATF grey list is a risk to the recently approved $6 billion IMF deal," said Daban while speaking at an event arranged by former The Express Tribune exective editor Mohammad Ziauddin at the National Press club on Monday.

"The IMF is responsible for the financial system stability and the FATF-related issues gamper taxation and undermine banking system," said the country head of the IMF.

She said that the grey lsting also undermines capital inflows in addition to affecting the private sector.

https://epaper.tribune.com.pk/DisplayDetails.aspx?ENI_ID=11201908060332&EN_ID=11201908060110&EMID=11201908060054

IMF DEAL OVERSHADOWS CPEC’S ML-I RAILWAY PROJECT

By Shahbaz Rana Published: August 6, 2019

ISLAMABAD: The financing issue of the multibillion-dollar Mainline-I (ML-I) project of the China Pakistan Economic Corridor (CPEC) remained unresolved due to ambiguity over taking new loans under the International Monetary Fund (IMF) programme, said a top official on Monday.

The Ministry of Planning and Development did not have clarity about whether the country could sign a new loan deal with China for the construction of $8.5-billion ML-I project of the Ministry of Railways, said Planning Secretary Zafar Hasan in a parliamentary committee meeting.

There were also “flaws” in the ML-I framework agreement signed between China and Pakistan in May 2017, said Hasan while speaking during a meeting of the National Assembly Standing Committee on Planning and Development. The secretary’s statement would pour cold water on the ambitions of Railways Minister Sheikh Rashid Ahmad, who has lately involved Prime Minister Imran Khan to get the ML-I project cleared from the planning ministry.

“PC-I of package-I for the upgrade of Pakistan Railways’ existing ML-I and establishment of a dry port near Havelian, submitted by the Ministry of Railways to the Planning Commission, shall be processed for consideration of the CDWP and Ecnec in two weeks,” read an order of the PM Office. The order was issued on July 29.

The PM issued the directive after the planning ministry’s bureaucracy showed reluctance to process the ML-I project due to increasing probe by the National Accountability Bureau (NAB) into CPEC affairs. “There is no clarity on whether we can take more loans or not under the IMF programme and only after getting this clarity we can start negotiations with China,” said Hasan.

The IMF has not directly stopped Pakistan from entering into any new CPEC deal but it has brought CPEC under the overall debt sustainability matrix of Pakistan.

“Our goal is to help countries to keep debt at sustainable levels and we do not advise any country from whom to borrow,” said Teresa Daban, Resident Representative of the IMF, on Monday while interacting with media at the National Press Club. “Right now, Pakistan’s debt is not at a sustainable level,” she said.

In his briefing to the parliamentary committee, the planning secretary maintained that the government stood committed to the ML-I project and was looking into its modalities for implementation.

But he added that “at the time of making PSDP 2019-20, there was a thinking that the ML-I project might not be taken up in this fiscal year,” said the planning secretary. There was also a flaw in the ML-I framework agreement, which put financing issue at the end instead of taking it up upfront, said Hasan.

Due to increasing number of accidents, the government was considering taking up the ML-I project in the next CPEC Joint Cooperation Committee meeting with China, said the planning official.

“Only Rs16 billion total development budget of Pakistan Railways makes me think that the ML-I project has been abandoned,” said former planning minister Ahsan Iqbal.

After firming up the design and scope, the Ministry of Railways has submitted the third proposed PC-I (Project Cycle-I) of the ML-I project with the Ministry of Planning for review and placement before the Central Development Working Party (CDWP) for clearance.

The railways ministry has estimated the cost of package-I of the project at $2.4 billion, showed official documents. The original cost of the full project had been estimated at $8.2 billion. The project has now been split into three phases besides reduction in its scope. ML-I is the only project of CPEC that has been declared “strategically important” by both China and Pakistan but it has faced delay of at least four years.

The planning ministry also informed the standing committee about the outcome of the 11th Five-Year Economic Plan implemented during tenure of the previous Pakistan Muslim League-Nawaz (PML-N) government.

Against the allocation target of Rs3.04 trillion, the actual spending remained at Rs3.2 trillion, which was 5% higher than the target, the planning ministry informed the standing committee. The 11th plan period (2013-18) was one of the best development periods of Pakistan, said Iqbal. The committee directed the ministry to present comparison of the last three five-year plans.

The secretary also briefed the meeting about the proposed targets of the 12th Five Year Plan, which was already facing delay of one year.

Things were in a flux at the moment and the planning ministry had to modify the previously projected 4.6% economic growth rate for this fiscal year, said Hasan. There was discussion about economic growth of 2% to 2.5% this year, he added.

“The government is bringing realism to its 12th economic plan and targets are being set broadly in line with IMF projections,” said the planning secretary. The over-ambitious targets could never be met, therefore, the government had decided not to set ambitious macroeconomic goals, he added.

https://tribune.com.pk/story/2028965/2-imf-deal-overshadows-cpecs-ml-railway-project/

$500M ADB LOAN TO IMPROVE TRADE COMPETITIVENESS

Khaleeq Kiani Updated August 08, 2019

ISLAMABAD: The Asian Development Bank (ADB) on Wednesday signed a $500 million loan agreement with Pakistan to support first phase of the Trade and Competitiveness Programme in the country.

The loan agreement was signed by Economic Affairs Division Secretary Noor Ahmed and ADB's Country Director Xiaohong Yang. Minister for Economic Affairs Muhammad Hammad Azhar witnessed the loan signing ceremony and requested the ADB to further scale up its assistance to Pakistan both for programme lending and project financing.

The Trade and Competitiveness Programme is targeted to help Pakistan promote macroeconomic stability, improve export performance and boost economic growth by facilitating improved trade competitiveness, an official statement said.

Under this programme, the government has introduced important tariff and tax related policy reforms to support the country's export sector and improve its competitiveness internationally and strengthen key institutions involved in facilitating trade, including accreditation bodies Export-Import Bank of Pakistan (EXIMBP) and the National Single Window.

Azhar appreciated the ADB's support and pointed out that the country's exports were concentrated in less sophisticated and value-added products and lacked diversification and innovations. He said the ADB's policy-based lending will not only strengthen the foreign exchange reserves but will also provide fiscal space to the government and boost economic activities in the country.

Azhar promised that the government would remain fully committed to improve governance, bring economic reforms and achieve sustainable development. "The government aims to put Pakistan's economy on the path of sustainable and balanced growth and increase per capita income", he said and requested the ADB to further scale up its assistance to the country both for program lending and project financing.

Yang said the ADB was one of the leading development partners of the country and fully supported government's vision and policies. She said the ADB was providing its support for policy reforms and project financing in the key priority areas such as energy, road, social sector, water and irrigation and urban services.

She also reiterated the ADB's strong commitment to further strengthening and expanding its partnership with the country while adding that the policy lending would support reforms to improve trade competitiveness and exports as a defence against external shocks and to help finance the country's trade deficit. The ADB also approved a $750,000 technical assistance package to support preparation and implementation of programme.

"ADB has a 53-year history of strong partnership with Pakistan and we are pleased to be in a position to provide this important support for the country's economic reform program," said ADB Vice-President Shixin Chen adding that "moving forward, ADB is committed to providing wide-ranging support to strengthen Pakistan's economy and reduce the risk of external economic shocks."

Supported by the International Monetary Fund, ADB, and other development partners, the government has now committed to a range of structural reforms to the country's trade environment to improve its export performance, reduce the current account deficit, and drive economic growth.

"Trade is an important pillar in Pakistan's overarching development objective to foster economic stability and sustainable high growth," said ADB Director General for Central and West Asia Werner Liepach.

"The Trade and Competitiveness Programme will help define and implement key reforms to help tackle these development challenges and bring livelihood opportunities to the people of Pakistan."

https://www.dawn.com/news/1498727

ADB APPROVES $500M LOAN FOR BUDGETARY SUPPORT

By Shahbaz Rana Published: August 8, 2019

ISLAMABAD: The Asian Development Bank (ADB) on Wednesday approved a $500-million loan for budgetary support to Pakistan, restoring policy-based lending after keeping it suspended for over two years due to deterioration in macroeconomic conditions.

The ADB board of directors approved the $500 million in budgetary support under the $800-million Trade and Competitiveness Support Programme. The loan approval was pegged with introduction of a new legislation and approval of e-commerce policy by the federal cabinet.

The ADB and the World Bank had suspended budgetary support for Pakistan in 2017 after its macroeconomic conditions started deteriorating. Although the macroeconomic conditions still remain fragile, the international lenders have decided to restore budgetary support in the wake of the three-year Extended Fund Facility of the International Monetary Fund (IMF).

The IMF has projected $4.3 billion in budgetary support from the World Bank and the ADB from 2019-20 to 2021-22. Out of the $4.3 billion, the IMF has shown $2.3 billion in budgetary assistance from the ADB, which is 54% of the projected support. The IMF has projected inflow of $800 million from the ADB in the current fiscal year, although Islamabad is seeking at least $2.1 billion from the bank.

Islamabad has also formally requested the Manila-based lending agency to provide the loan through the Special Policy-Based Lending (SPBL) instrument. The SPBL is a crisis response facility offered by the ADB as part of its international rescue efforts to help meet foreign payment obligations. In addition to that, the government is expected to receive $300 million for capital market reforms and another $300 million under the energy reforms programme.

Pakistan is heavily dependent on international creditors for current account deficit financing, repayment of maturing debt and building foreign currency reserves. It will need at least $25.6 billion in the current fiscal year to meet these three obligations.

Pakistan and the ADB signed the $500-million loan agreement on Wednesday. The agreement was inked by Economic Affairs Division Secretary Noor Ahmed and ADB Country Director Xiaohong Yang. Minister for Economic Affairs Hammad Azhar witnessed the loan signing. The government expects to receive the payment at the weekend, which will provide cushion to the foreign exchange reserves held by the State Bank of Pakistan.

“The ADB has a 53-year history of strong partnership with Pakistan and we are pleased to be in a position to provide this important support for the country’s economic reform programme,” an ADB statement quoted its Vice-President Shixin Chen as saying. The Trade and Competitiveness Programme focuses on addressing the structural issues obstructing Pakistan’s export competitiveness through reforms in areas of tax and tariff rationalisation, as well as institutional strengthening, according to the ADB.

“Moving forward, the ADB is committed to providing wide-ranging support to strengthen Pakistan’s economy and reduce the risk of external economic shocks,” it added.

Supported by the IMF, the ADB and other development partners, the government has now committed to a range of structural reforms in the country’s trade environment to improve its export performance, reduce the current account deficit and drive economic growth, said the ADB.

The Trade and Competitiveness Programme will introduce important tariff and tax-related policy reforms to support Pakistan’s export industries and increase their competitiveness internationally and will also strengthen key trade facilitating institutions such as accreditation bodies, Exim Bank of Pakistan and the National Single Window.

“Trade is an important pillar of Pakistan’s overarching development objective to foster economic stability and sustainable high growth,” said ADB Director General for Central and West Asia Werner Liepach.

Hammad Azhar acknowledged the ADB’s support for Pakistan. He said Pakistan’s exports were concentrated in less sophisticated and lower value-added products and lacked diversification and innovation. The minister was of the view that the ADB’s policy-based lending would not only strengthen foreign exchange reserves but would also provide fiscal space to the government and boost economic activities in the country.

The minister reiterated that the government was fully committed to improving governance, introducing economic reforms and achieving sustainable development. The government aims to put Pakistan’s economy on the path of sustainable and balanced growth and increase per capita income.

He emphasised that the ADB should further scale up its assistance to Pakistan both for programme lending and project financing.

Xiaohong Yang stated that the ADB fully supported the government's development vision and policies. She pointed out that the ADB was providing support for policy reforms and project financing in key priority areas such as energy, road, social sector, water and irrigation, and urban services.

https://tribune.com.pk/story/2030490/2-adb-approves-500m-loan-budgetary-support/

HARSH BUDGETARY STEPS NOT PART OF BAILOUT PACKAGE: SANCHEZ

AMJAD ALI SHAH AUG 9TH, 2019 PESHAWAR

Resident Representative, the International Monetary Fund (IMF), Pakistan Office, Maria Teresa Daban Sanchez has said that the harsh budgetary measures taken by Pakistan government for fiscal year 2019-20 are not part of the IMF fresh financial bailout package.
Speaking at a meeting held at Sarhad Chamber of Commerce and Industry (SCCI) on Wednesday, Sanchez said that the IMF is extending US$6 billion Extended Fund Facility (EFF) Programme on request of Government of Pakistan. However, she said that the government's reforms initiatives are imperative for sustainable economic growth and development of the country.
by her delegation members, senior economist Zafar Hayat and M Ali, Sanchez visited SCCI and held a meeting with president Faiz Muhammad Faizi, businessmen and other office-bearers of the chamber, according to a statement issued here on Thursday.
SCCI Senior Vice President, Engr Saad Khan Zahid, Vice President, Haris Mufti, FPCCI former president, Ghazanfar Bilour, All Pakistan Commercial Exporters Association Chairman, Engr Manzoor Elahi, executive members, Malik Imran Ishaq, Sohail Javed and Pervez Khattak were present in the meeting. Faiz Muhammad Faizi said that Pakistan's economy is passing through a critical phase for which foreign lending or financial packages such as IMF's are essential to bring back the economy on right track. He expressed the hope that IMF bailout package would bring economic prosperity and development in the country.
Faizi said KP's trade is mostly related with Afghanistan and Central Asian states. He said the continuous devaluation of Pakistan rupee against US dollar is badly affecting businesses and trade activities. He suggested the government to introduce fixed-tax system in the country. He said that instead of imposition of new taxes on existing taxpayers, the government should bring new people into the tax net.

https://fp.brecorder.com/2019/08/20190809505420/

NA TOLD: GOVT TO RETIRE OVER $10BN FOREIGN LOANS IN FY20

ZULFIQAR AHMAD AUGUST 9,2019
ISLAMABAD: Minister for Economic Affairs Hammad Azhar on Thursday informed the National Assembly that the government would return over $10 billion foreign loans during the current fiscal

year.
Replying to questions during the question-hour, Hammad Azhar said the incumbent government returned US $8.39 billion foreign debt from August 18, 2018 to June 30, 2019.
He said that Pakistan Tehreek-e-Insaf (PTI) government obtained US $ 7.1 billion foreign loan during the said period, adding previous government of Pakistan Muslim League-Nawaz (PML-N) had obtained loans on short terms during the last two years of its tenure which had to be returned.
Azhar said that the foreign debt on August 18, 2018 was US $ 73.1 billion. He said that debt to GDP ratio had exceeded from the limit during the tenure of past government. However, he said that the incumbent government is making efforts to bring it down to the prescribed limit.
He said that the government had retired record foreign loans worth of US $ 9.5 billion during the fiscal year which had never been done by any government in a single year. He said the government is focusing to enhance exports and foreign remittances for putting the country on the path of development and prosperity.
He said that the government is introducing comprehensive set of economic and structural reforms to resolve the economic issues. He said the government is focusing on exports competitiveness, re-establishing fiscal stability and improving governance in key utilities and state-owned enterprises, adding inflation rate stands at 10.3 percent.
To a question, he said that foreign exchange rate remained constant. He said the government is focusing on agriculture sector and Rs 280 billion have been allocated for the purpose. He said cotton growing area reduced by 28 percent in last ten years which is a matter of grave concern. He said increase in cotton growing area was discussed in Economic Coordination Committee (ECC) meeting and a committee has also been formed in this regard.
Parliamentary Secretary for Textile Aliya Hamza Malik told the House that the government has extended the export enhancement package for another three years with the same previous conditions to encourage non-traditional exports of the country.
She said that under this package, new export sectors such as transport equipment, auto parts and accessories; machinery including electrical machinery, furniture, stationary, fruits, vegetables, meat and meat preparation including poultry have been included.
She said gas tariffs for LNG have been lowered for Punjab to bring it at par with other provinces whereas there has been no increase in gas prices for export industries including jute, carpet, textile, sports goods, leather and surgical goods.
Taking floor, Minister for Power Omar Ayub Khan said that on the directions of Prime Minister Imran Khan, cost of doing business is being reduced to facilitate investors. The government accrued income of Rs 57,714 million from the Asset Declaration Scheme that was launched to give people an opportunity to declare their undeclared assets by paying a certain amount of tax on them.
“The total income accrued from Asset Declaration Ordinance 2019 is Rs 57,714 million. However, tax payment of Rs 8,081 million under the present scheme will be deposited up to June 30, 2020 along with default surcharge,” the Ministry of Finance informed the National Assembly in a written reply.
Hwever, it clarified that the main purpose of the Asset Declaration Ordinance 2019 was documentation of economy.
The ministry also clarified misperceptions about the price hike of basic commodities and informed the House that the government is fully cognizant of its responsibility towards improving the everyday life of the common man.
It said that the adjustments in prices of different essential commodities and services have not been made at the behest of the International Monetary Fund (IMF) or any other institution. “The prices reflect market forces and rising international prices in case of certain commodities,” it added.
It said that the government has taken a number of concrete steps for the uplift of living standards of the under-privileged segments of society, adding Ehsaas Programme has been launched to reduce inequality, invest in people and develop backward areas of the country.
Similarly, the government has substantially increased the BISP allocations to Rs 180 billion in current year’s budget as compared to last year’s allocation of Rs 100 billion, it added.
Improved coordination between the federal and provincial governments is also ensuring that commitment towards social sector spending at provincial levels is strong, it added.

https://epaper.brecorder.com/2019/08/09/18-page/795678-news.html

NEWS COVERAGE PERIOD FROM AUGUST 14th TO 18th

EXTERNAL BORROWINGS

RECORDER REPORT AUG 18TH, 2019 EDITORIAL

External borrowings of the country have continued to rise over the last few years but the present government claims to have improved the situation somewhat during its tenure. Speaking in the National Assembly on 8th August, 2019, Minister for Economic Affairs, Hammad Azhar said that the incumbent government had returned dollar 8.39 billion foreign debt from August 18, 2018 to 30th June, 2019 while it obtained dollar 7.1 billion foreign loans during this period. Blaming the past government, he also added that the previous government of PML(N) had got loans on short-term during the last two years of its tenure which had to be returned. Total foreign debt of the country was dollar 73.1 billion on 18th August, 2019 and debt to GDP ratio had exceeded the limit during the tenure of past government. The PTI government has been making efforts to bring the debt-to-GDP ratio to the prescribed limit. Further, the government is focusing to enhance exports and foreign remittances. It retired foreign loans worth of dollar 9.5 billion during the past fiscal year which had never been done by any government in a single year. To a question, the minister stated that foreign exchange rate remained constant. Taking floor, Minister for Power Omar Ayub Khan revealed that total income occurred from Asset Declaration Ordinance, 2019 was Rs 57.7 billion, out of which Rs 8.1 billion was tax payments. The main purpose of the Ordinance, nonetheless, is documentation of the economy and not revenue collection.

The information on foreign loans as revealed by the government in the National Assembly shows that the situation is indeed dire and the previous government made no worthwhile effort to reduce the level of foreign debt to manageable levels. Obviously, such a situation had come to pass due to constant deterioration in the current account balance of the country and the authorities' reluctance to take appropriate measures to arrest or reverse the worsening trend with the result that aggregate foreign loans of the government crossed dollar 73 billion. Another unhealthy aspect was that the previous government did not care much about the maturity profile of foreign loans and borrowed short-term to meet immediate obligations. The debt situation, in fact, is so alarming that the IMF representative in Islamabad has openly said that though the sustainably analysis showed that CPEC loans are manageable yet the country's overall debt situation is not sustainable. The statement of the Fund representative is also corroborated by the SBP in its latest quarterly report which affirmed that "from the debt sustainability perspective, the country's repayment capacity weakened as debt servicing to foreign exchange earnings increased to 14 percent during July-March, 2019 from 9.7 percent in the same period of last year. Similarly, debt-bearing capacity measured in terms of public external debt-to-FX [foreign exchange] reserves ratio also deteriorated to 4.8 percent in March, 2019 from 4.1 percent in the same period of last year."

It may, nonetheless, be stated that the present government has made some sincere efforts to arrest this highly disturbing trend. The best and perhaps the only way to reverse this worsening trend is to earn a surplus in the current account balance of the country and repay the past loans as soon as possible. The PTI government has devalued the rupee substantially and undertaken tariff measures to boost exports and curtail imports. In addition, the government has issued Pakistan Bonao Certificates to attract foreign exchange inflows from expatriates. These measures have trimmed imports but have not helped in expanding exports because of small exportable surpluses and low productivity of the economy. While we appreciate the seriousness of the PTI government for the tough measures taken to improve the C/A balance and the external debt situation, Hammad Azhar's assertion that his government has returned dollar 8.39 billion and obtained only dollar 7.1 billion from 18th August, 2018 to June, 2019 does not indicate the full picture of the situation and is not as commendable as he has tried to claim. This is evident from the fact that FX reserves held by the SBP also declined from dollar 11.6 billion in June, 2018 to dollar 7.7 billion on 2nd August, 2019, indicating that C/A deficit amounting to dollar 3.9 billion had been financed through drawdown of reserves. If this amount was obtained through external borrowings to maintain the same level of FX reserves (as in June, 2018), the country would have obviously borrowed more than the repayment of external debt.

https://fp.brecorder.com/2019/08/20190818506842/

NEWS COVERAGE PERIOD FROM AUGUST 19th TO 25th

WORLD BANK PRESIDENT TO VISIT PAKISTAN IN NOVEMBER

Khaleeq Kiani Updated August 23, 2019

ISLAMABAD: World Bank President David Malpass will visit Islamabad in the first week of November to finalise enhanced financial support for institutional reforms and growth agenda.

The Ministry of Finance on Thursday said World Bank's country director in Pakistan Patchamuthu Illangovan and his team called on Adviser to the Prime Minister on Finance Dr Abdul Hafeez Shaikh to apprise him of the upcoming visit of Mr Malpass to Islamabad.

The delegation conveyed "a strong desire from the World Bank management to work with Pakistan to drive institutional reforms and support the growth agenda of the government through any technical or financial assistance required from the bank", said a statement.

The visit follows Prime Minister Imran Khan's meeting with the WB president during his recent visit to the United States. Mr Illangovan is understood to have highlighted the problems being faced by the existing projects and slowdown in the project planning and process in the wake of a long political transition and its aftermath, even though a few financing agreements worth $950 million were signed with the World Bank last month.

Another project of about $1.5 billion is now coming up for approval by the World Bank board, but some of the projects faced significant challenges. Informed sources said that one of the projects facing problems was the Khyber Pakhtunkhwa Economic Corridor (KPEC) worth about $450m being described by the Planning Commission as "road to nowhere".

This is mainly because of the absence of a matching communication infrastructure in Afghanistan up to Tajikistan due to which authorities in Islamabad are reluctant to push through an expensive project which has apparently no economic return in the immediate future. On the other hand, the World Bank board had approved the project a couple of years ago and also put a question mark on its own project processing authorities. The bank's local team is also reportedly explained the changing landscape in Afghanistan that could be seen as window of opportunity.

In the meanwhile, about three major projects, including those of Karachi water and sanitation and urban livelihood, worth over $1.6bn are being designed for the World Bank financing with additional support from the Asian Development Bank, Asian Infrastructure Investment Bank and Agence Francaise de Development. The total portfolio of these projects goes beyond $2.6bn.

Dr Hafeez Shaikh told the WB delegation that Pakistan was pursuing a growth-oriented programme for institutional reforms and economic revival and "the technical and financial assistance from the World Bank is vital for achieving various development goals in different sectors" of the country's economy.

Mr Illangovan told the PM's adviser that the World Bank could work on any financial arrangement looking at the objective need and assessment of the policy matrix as the bank was very supportive of the institutional reforms being undertaken by the Pakistan government in different sectors of the economy.

He also briefed Dr Shaikh on the ongoing discussions with the Ministry of Finance on two policy-based lending operations to provide budgetary support to Pakistan which would be finalised by December this year.

Issues related to the World Bank's ongoing portfolio of $9bn as well as firming up of Pakistan's delegation to attend annual meetings of the IMF/World Bank Group in October also came under discussion.

Dr Shaikh welcomed the World Bank president's upcoming visit to Islamabad and expressed the hope that it would lead to opening of greater avenues for more productive engagement between the bank and Pakistan.

https://www.dawn.com/news/1501113

PAKISTAN GETS $440M WORTH OF FRESH LOANS IN JULY

By Shahbaz Rana Published: August 23, 2019

ISLAMABAD: Pakistan received $440 million in fresh loans last month amid a gradual shift in the financing source from China to multilateral creditors due to completion of many China-Pakistan Economic Corridor (CPEC) projects.

The borrowing of $440 million in July 2019 included $173.3 million in commercial loans from Dubai Bank and a consortium of Credit Suisse, said sources in the Ministry of Finance.

Unlike last fiscal year when the share of Chinese assistance was nearly half of the total disbursement, Chinese loans shrank to slightly over one-tenth of the total disbursement of $439.8 million in July, the sources said.

In the previous fiscal year, China bailed Pakistan out by placing $2 billion with the State Bank of Pakistan (SBP) and extending commercial loans of $2.6 billion.

Chinese project financing has slowed down due to completion of many CPEC schemes. Last month, China disbursed $4 million for the Orange Line Metro project and $49 million for the Havelian-Thakot Road project of CPEC. China's total disbursement in July stood at $54.2 million.

The Mainline-I project of Pakistan Railways is the only mega scheme of CPEC that has remained unimplemented so far. Owing to the stringent conditions attached by the International Monetary Fund (IMF), the roughly $9-billion project is unlikely to be executed in the near future.

Pakistan received $173.3 million in two commercial loans from Dubai Bank and a consortium led by Credit Suisse. Both loans have been obtained at floating London Interbank Offered Rates.

Dubai Bank disbursed $123.3 million in July out of the total committed amount of $325 million. Credit Suisse disbursed $50 million out of its total commitment of $250 million.

Pakistan's gross external financing needs are assessed at a minimum $25.6 billion by the IMF for the current fiscal year. The assessment is based on projected current account deficit of $6.6 billion in this fiscal year.

In July, Pakistan booked $579 million of current account deficit, down from $2.1 billion in the same month of previous fiscal year.

Owing to the $13.5-billion current account deficit and nearly $11 billion worth of loan repayments, Pakistan borrowed a whopping $16 billion through foreign loans in the last fiscal year aimed at avoiding default on international debt obligations and financing its imports.

As compared to the low loan disbursements by multilateral creditors in the past, last month the country received $212.2 million from them, which was nearly half of the total disbursemen

The Islamic Development Bank disbursed $137 million under the oil credit facility out of the total of $551 million.

The Asian Development Bank (ADB) disbursed $15.8 million last month. It has already approved $500 million in programme loan and the amount will be reflected in August data. The World Bank released $41.5 million last month.

The World Bank country head on Thursday met with Adviser to Prime Minister on Finance and apprised him of the difficulties in approval of new project loans and delay in the award of contracts.

The World Bank has been raising the issue of delay in approval of projects by competent Pakistani forums. But the issue has remain unresolved that has delayed the approval of new projects besides affecting disbursements for ongoing projects.

Patchamuthu Illangovan, Country Director of the World Bank in Pakistan, also apprised the finance adviser of the visit of World Bank President David Malpass to Pakistan in the first week of November, according to a statement issued by the finance ministry after the meeting.

Illango conveyed a desire of the World Bank management to work with Pakistan to drive institutional reforms and support growth agenda of the government through any technical or financial assistance required from the bank, it added.

Illango said the World Bank could work on any financial arrangement looking at the objective need and assessment of the policy matrix as the bank was very supportive of the institutional reforms being undertaken by the government of Pakistan in different sectors of the economy.

He also briefed the adviser on ongoing discussions with the Ministry of Finance on two policy-based lending operations to provide budgetary support to Pakistan, which would be finalised by December 2019.

Adviser to Prime Minister on Finance Dr Abdul Hafeez Shaikh said Pakistan was pursuing a growth-oriented programme by undertaking institutional reforms, and technical and financial assistance of the World Bank was vital for achieving various development goals in different sectors of Pakistan's economy.

https://tribune.com.pk/story/2039916/2-pakistan-gets-440m-worth-fresh-loans-july/

WORLD BANK TO SUPPORT KWSB

AUGUST 25,2019

KARACHI: Sindh Lacal Government Minister Nasir Hussain Shah said that the Karachi Water and Sewerage Board (KWSB) will be financially strengthened through institutional reforms in collaboration with the World Bank (WB). In a meeting with a delegation of the WB on Saturday he said his party. being a major stakeholder, will facilitate efficient completion of the project.

https://epaper.tribune.com.pk/DisplayDetails.aspx?ENI_ID=11201908250293&EN_ID=11201908250104&EMID=11201908250050

NEWS COVERAGE PERIOD FROM AUGUST 26th TO Sep 1st

PTI GOVT CLEARS SIX DEVELOPMENT PROJECTS WORTH RS218.5B

By Shahbaz Rana Published: August 28, 2019

ISLAMABAD: The federal government on Tuesday cleared six more development projects worth Rs218.5 billion, including two Karachi-based mass transit projects funded by international creditors.

The Central Development Working Party (CDWP) approved two projects worth Rs3.33 billion and recommended four schemes costing Rs215.2 billion to the Executive Committee of National Economic Council (Ecnec) for approval, according to a statement issued by the planning ministry.

The CDWP has the mandate to approve up to Rs3 billion schemes and projects costing more than that are referred to Ecnec for final endorsement. Headed by Planning Commission Deputy Chairman Jehanzeb Khan, the CDWP deferred approval for six projects including two schemes of the Pakistan Atomic Energy Commission and one Gwadar project.

The project sanctioning authority took up two mass transit schemes of Karachi – for the second time in the past four months. It recommended the Asian Development Bank-funded Bus Rapid Transit – Red Line – to Ecnec for approval at a cost of Rs78.6 billion. However, the World Bank-funded Karachi Urban Mobility project – Yellow Line – was conditionally referred to Ecnec at a cost of Rs61.5 billion.

Ecnec on Thursday will take up the Red Line project while the Yellow Line scheme will be vetted by a planning ministry committee before sending it to Ecnec – a body of the constitutionally formed National Economic Council (NEC).

The Pakistan Tehreek-e-Insaf (PTI) government has also set up the National Development Council, which is parallel to NEC, but it does not have constitutional cover.

The cost of the Red Line project increased 19.3% or Rs12.7 billion in the past one year due to currency depreciation. In May last year, the project’s cost had been estimated at Rs65.6 billion.

Pakistan will get $575 million in loan to build the Red Line bus transit system in Karachi, which will facilitate 300,000 commuters every day in the country’s largest metropolis.

As part of the $575-million financing envelope, the Asian Development Bank (ADB) last month approved a $235-million loan for the bus rapid transit (BRT) system. The Asian Infrastructure Investment Bank and the Agence Française de Développement (AFD) are also providing $100 million each for financing the project’s civil works and equipment cost.

The Karachi Transformative Strategy of the World Bank has put infrastructure needs of the city at $9-10 billion over the next 10 years. Such a financing was required to improve urban transport, water supply, sanitation and municipal solid waste treatment.

The Karachi Bus Rapid Transit Red Line project will provide a 26.6km corridor and associated facilities benefiting 1.5 million people (10% of Karachi’s population) who live within a kilometre of a Red Line station.

In April this year, the CDWP had conditionally cleared the Red Line project, subject to rationalisation of the cost and other issues raised by the Ministry of Planning and Development.

The World Bank has approved $382 million for construction of a 21km long yellow corridor in Karachi.

Karachi Yellow Line project will need Rs1.7 billion annual operational subsidies. In May this year, the CDWP had also considered the Yellow Line project for approval. It recommended the project subject to the condition that its cost and scope will be rationalised.

The CDWP had also given directives for operationalising the Green Line Karachi project and integrating all mass transit schemes in the city under one mass transit authority for operation and maintenance purposes.

But the government of Sindh did not give response to these observations raised by the CDWP in May this year.

The planning ministry statement said two projects related to health were presented in the CDWP meeting. First project Sehat Sahulat Programme, which is now named as Prime Minister’s National Health Programme phase-II, worth Rs31.9 billion was referred to Ecnec for its nod.

This scheme has been built upon former prime minister Nawaz Sharif’s health scheme.

The CDWP approved the establishment of a safe blood transfusion service in the Islamabad Capital Territory at a cost of Rs102.9 million.

It referred the construction of Peshawar Torkham Motorway as part of the Khyber Pass Economic Corridor project worth Rs41.4 billion to Ecnec. This scheme is also funded by the World Bank.

The CDWP also approved the construction of the AJK Legislative Assembly Complex at a cost of Rs2.9 billion. It seems the project cost has been deliberately put below Rs3 billion to avoid Ecnec’s approval.

https://tribune.com.pk/story/2043661/2-govt-clears-six-development-projects-worth-rs218-5b/

ADB TO HELP DEVELOP FINANCIAL MARKETS

The Newspaper's Staff Reporter Updated August 29, 2019

ISLAMABAD: The Asian Development (ADB) on Wednesday approved technical financing for preparation of financial markets development programme.

The ADB-led reforms will help remove constraints in the way of achieving a vibrant capital market in the country such as ad-hoc government debt management practices, absence of a clear capital market development strategy for debt issuance, shallow and illiquid corporate bond and equity markets, ineffective market facilitation and fragile market stability.

The bank's assistance will also help the government explore measures required to encourage broader participation of institutional investors in Pakistan's securities markets and lay groundwork for introducing alternative financing instruments, such as derivatives.

https://www.dawn.com/news/1502330/adb-to-help-develop-financial-markets

ADB TO PROVIDE $1.3B WORTH OF LOANS TO PAKISTAN IN NOV

By Shahbaz Rana Published: August 30, 2019

ISLAMABAD.: The Asian Development Bank (ADB) on Thursday assured to give loans worth $1 billion for budgetary support and $300 million for energy sector reforms in November but complained about slow implementation on schemes, which delayed the release of billions of dollars approved under project loans.

ADB Vice President (Operations) Shixin Chen, who is in town, raised the issue of the slow approval process and delays spanning over years in execution of schemes during his meetings with Prime Minister Imran Khan and Federal Minister for Economic Affairs Hammad Azhar.

The officials, privy to the development, told The Express Tribune that Chen said the lending agency was processing Pakistan's request for $1 billion emergency budgetary support loan and another $300 million for energy sector reforms.

However, the final decision would be taken by the ADB Board of the Directors.

Both these loans are expected to be approved in November, subject to fulfillment of all prior conditions attached to them.

The officials said that the VP complained about delays in both approval of new projects and implementation on the approved schemes, which was keeping the committed money idle. Only in the energy sector, $2.1 billion loans remained undisbursed, they added.

The prime minister directed the Economic Affairs Division to fast-track the processing and implementation of the ADB projects to facilitate its support towards the economic prosperity of Pakistan and its citizens, according to a statement issued by the Prime Minister Office.

The VP assured that the ADB would support Pakistan and finance projects according to the development priorities of the government of Pakistan, a Ministry of Finance handout stated.

He assured the minister of the bank's resolve to expand partnership with Pakistan to finance the priority projects, it added.

The VP underscored that to streamline the procedures, enhanced capacity of government functionaries, continuity of the postings and enhancing procurement rules were of paramount importance to complete development project within time and allocated budgets.

All these issues were creating hurdles in disbursements of loans by the ADB.

During the meeting with the Ministry of Economic Affairs, the ADB's three-year Country Operations Business Plan (COBP) for Pakistan (2020-2022) worth $7 billion was also discussed.

It was further agreed that the COBP would be finalised with mutual deliberations between the ADB and the EAD, according to the official handout.

It was agreed that priority shall be given to agriculture, water and sanitation, renewable energy, climate change, tourism, housing, education, health, and social sector projects.

The ADB VP briefed the prime minister regarding short-, medium- and long-term support to Pakistan in various sectors of the economy, particularly trade and competitiveness.

The VP discussed various proposals for enhancing the institutional capacity of the government that would help the country achieve its development and economic stability agenda.

Chen noted that Pakistan could play a very important role in promoting regional cooperation and integration in Central and West Asia region.

The prime minister said that his government's main focus was to help the down-trodden alleviate from poverty and that this was his personal mission. Expanding the tax base, institutional reforms and out-of-the-box solutions for service delivery were the priority areas for achieving the goal of good governance, stated the prime minister.

Both the sides also discussed the possibility of $200 million ADB loan for the prime minister's Ehsaas Programme, which was being built upon the Benazir Income Support Programme context.

The ADB VP also participated in the Central Asia Regional Cooperation (CAREC) First Capital Markets Regulator's Forum held in Islamabad.

The forum provided a platform for developing leaders and industry experts to discuss solutions to global challenges faced by capital market regulators for better capital markets development in the CAREC region, which include the use of technology.

Better capital markets mean better prospects for inclusive growth and sustainable development to countries.

“This forum underscores the need to evolve strong and meaningful cooperation among our capital markets and would expand access to finance, improve regulatory structures, and support private sector development in the CAREC region,” said Chen. “The region needs much more financing and investments than public sector resources can alone provide.”

The forum was attended by around 150 delegates from all CAREC member countries. The CAREC Programme is a partnership of 11 countries—Afghanistan, Azerbaijan, the People’s Republic of China, Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan—to promote economic growth and development through regional cooperation.

https://tribune.com.pk/story/2045369/2-adb-provide-1-3b-worth-loans-pakistan-nov/

SEPTEMBER 2019

NEWS COVERAGE PERIOD FROM SEP 2nd TO 8th

SINDH CM DISCUSSES $1.9B WB-ASSISTED PROJECTS WITH WB DELEGATION

By Our Correspondent Published: September 3, 2019

KARACHI: A delegation of the World Bank (WB), led by its country director, Patchamuthu Illangovan, met Chief Minister Syed Murad Ali Shah on Monday to discuss ongoing projects worth $1.9 billion and future projects in the pipeline.

The meeting was held at the Chief Minister House and was attended by Local Government Minister Nasir Hussain Shah, Labour Minister Saeed Ghani, Adviser to CM Murtaza Wahab, Chief Secretary Mumtaz Shah, Planning and Development Chairperson Nahid Shah, Karachi Water and Sewerage Board MD Asadullah Khan and other relevant officers. The World Bank delegation comprised operations manager Melinda Good, program leader Lixin Gu and senior operations officer Amena Raja.

The Competitive and Livable City of Karachi (CLICK) is a Rs33.6 billion ($240 million) WB-assisted project in which the Sindh government has committed to share $10 million.

The project is aimed at improving the performance of Karachi's local bodies and agencies involved in urban management, financing and service delivery programmes and improving the business environment for private sector development in the city.

The proposed project will support four major components to be executed under the supervision of local government, excise and taxation and Sindh's investment departments. Under the project, local bodies would be given performance-based grants. The urban property tax system would be improved, while technical assistance would be given to the Sindh Solid Waste Management Board.

The chief minister told the WB delegation that the project has been cleared in the Central Development Working Party and by the Executive Committee of National Economic Council (ECNEC). Now, it can be started with the approval of the World Bank. The World Bank director said that he would issue its clearance letter within a month.

The Karachi Water and Sewerage Services Improvement Project (KWSSIP) Phase-I is a Rs14.72 billion project in which the WB would give 40 per cent or $42.084 million as assistance while the Asian Infrastructure Investment Bank would also give 40 per cent as soft loan. The provincial government would bear Rs2.945 billion or 20 per cent of the total cost of the project. The project would be completed in five years.

The KWSSIP aims at addressing the challenges of the city's water supply by designing and delivering institutional governance reforms in the KWSB to improve services and reduce the trust deficit between the citizens and the organisation, undertaking long-term strategic infrastructure investments to deliver improved services and funding key preparatory studies.

The project is part of a multi-phased approach programme, costing $1.6 billion, which will be implemented in four phases in 12 years, having both components of reforms and investments aimed at providing relief to the entire population of the city.

The P&D chairperson informed the meeting that the project has been approved by the ECNEC on August 29, 2019.

The Chief Minister discussed the Sindh Human Capital Investment project with the WB country chief. The CM said that he had proposed reforms to improve the education standards and attain the maximum level of targets. These include transportation facilities for girls, consolidation and upgradation of girls' primary schools to elementary schools, provision of missing facilities in girls' schools, lady teachers' capacity building and bringing back out-of-school children.

The WB country director assured the chief minister of his financial support and urged him to submit the working paper of the project.

The meeting also discussed the Sindh Agricultural Growth project worth $67 million, Sindh Integrated Agriculture Productivity Enhancement worth $283 million, water sector improvement project of $283 million, Sindh Barrage Improvement Project of $324 million and Sindh Resilience Project of $11 million. These projects are in progress and the chief minister urged the WB to reallocate Flood Shelter funds for the rehabilitation of flood-affected people.

The chief minister also discussed the Yellow Line project and the World Bank country chief told the chief minister to appoint the project director of the project so that it could be taken up.

https://tribune.com.pk/story/2047962/1-sindh-cm-discusses-1-9b-wb-assisted-projects-wb-delegation/

IMF DEAL COULD BE RENEGOTIATED

By Shahbaz Rana Published: September 5, 2019

ISLAMABAD: The government on Wednesday did not rule out the possibility of renegotiating the $6 billion International Monetary Fund (IMF) deal amid an admission by the tax authorities, for the first time, that they may collect between Rs4.8 trillion to Rs5.2 trillion in taxes in light of existing economic realities.

The questions about renegotiating the IMF deal started surfacing after the IMF and the finance ministry's projections about Pakistan's last fiscal year framework went off the mark by up to 94%. The IMF agreement became effective just two months ago.

"It will depend whether we renegotiate the programme or not," said Naveed Kamran Baloch, the finance secretary, while responding to a question by Pakistan Muslim League-Nawaz's (PML-N) Dr Ayesha Pasha during the meeting of the National Assembly Standing Committee on Finance that met on Wednesday with Pakistan Tehreek-e-Insaf's (PTI) Asad Umar, the former finance minister, in the chair

What the finance secretary meant to say was that he was not sure whether the deal would be renegotiated or not, said Umar in his summary of Baloch's comments.

Umar demanded that the government should hold responsible for the person who "goofed up" and made inaccurate projections about the last fiscal year's budget just 20 days before the close of the financial year.

The officials also held a video conference with the IMF's Washington-based staff and discussed implementation on the programme.

The failure of the IMF and the finance ministry to make accurate forecasts for the macroeconomic indicators have eroded the base numbers, which were fed into the targets set for the ongoing fiscal year.

Former finance minister Dr Hafiz Pasha and former advisor to the finance ministry Dr Ashfaque Hasan Khan have already said that the new economic realities may force the government to renegotiate the $6 billion loan deal.

The standing committee took a detailed briefing from the finance ministry about the fiscal results of the previous financial year 2018-19. The budget deficit in the last fiscal year stood at Rs3.444 trillion or 8.9 per cent of the gross domestic product (GDP) against the government's revised estimates of 7.2 per cent of the GDP presented in the NA on June 11.

"Somebody in the system goofed up and he must be held responsible," said Umar while urging the finance secretary to take action.

How could budget estimates go off the mark by Rs817 billion when the revised budget estimates had been presented before the NA just 20 days before the end of the last fiscal year, he questioned.

The finance secretary informed him that the supplementary grants had substantially affected the last fiscal year's budget deficit.

The Federal Board of Revenue's (FBR) targets went off the mark by Rs321 billion and other revenues by Rs276 billion even against the revised budget estimates, said Baloch. The gross receipts of the governments were lower by Rs596 billion against the revised estimates while the net receipts were short of the revised target by Rs531 billion, he continued.

The expenditures were also overshot by Rs286 billion during the last few days of the previous fiscal year.

PTI's Faiz Ullah questioned the austerity policy of Prime Minister Imran Khan, which, according to him, was being flouted by government departments.

Expenditure department's additional secretary, Dr Arshad, said that 80 per cent government departments observed austerity but there were massive slippages by 22 government entities including the civilian armed forces, passport office, the Election Commission of Pakistan and the overseas Pakistanis ministry.

The standing committee also instructed the Debt Policy Coordination Office to provide a break up of the increase in public debt due to currency devaluation and interest rate hikes during the tenures of the Pakistan Peoples Party and the PML-N.

The instructions were given after the government claimed that out of Rs7.6 trillion addition in the public debt, Rs3.02 trillion was because of currency devaluation.

The FBR also gave a briefing regarding the practicality of the tax collection target of Rs5.5 trillion set for this fiscal year.

“The Rs5.5 trillion revenues target is coming from the expenditures side and it is not based on how tax machinery is currently working,” said Dr Hamid Atiq Sarwar, Inland Revenue Policy Member of the FBR.

Our conservative figure is Rs4.8 trillion and economic modeling showed that we can collect Rs5.2 trillion, said Dr Hamid Sarwar. If a normal economy grows higher than the 2.9% annual rate, only then we can collect more than Rs5.2 trillion, he added.

He said that the Rs5.5 trillion was not a fictional number but to achieve this will require technological interventions. He maintained that the government will try to achieve the target through technological and administrative measures.

“We do not intend to bring mini-budget,” said Dr Hamid while responding to a question asked by Asad Umar.

The FBR needs a 44% growth rate to hit the Rs5.5 trillion revenues collection target.

The measures to generate additional revenue of Rs750 billion would help achieve 19% growth rate but the remaining 25% growth would have to come from administrative and technological interventions, said Seema Shakil, Member Operations Inland Revenue Service.

The Rs5.5 trillion is a historical target and very challenging at the same time, observed Dr Shaikh while addressing a press conference on the same day. He said that the country was passing through difficult times and needed money to pay the interest cost that is estimated to be around Rs2.9 trillion for the current fiscal year.

“The government will try its best but it is a very difficult target,” said Dr Shaikh, who is the PM’s aide on finance.

To a question, he said that the government will surpass the 2.4% projected economic growth rate target and the agriculture sector would grow 3.3%. He added that non-tax revenue would increase by Rs800 billion this year on the back of privatisation of liquefied natural gas (LNG) plants, license reviews of telecom companies and central bank profits.

https://tribune.com.pk/story/2049526/2-imf-deal-renegotiated/

IMF PROGRAMME ‘ON TRACK’, GOVT INSISTS

Khaleeq Kiani Updated September 07, 2019

ISLAMABAD: The government on Friday said its reform agenda signed with International Monetary Fund (IMF) was on track and the progress so far on nearly all the performance and structural benchmarks for first quarter of the current fiscal year were very encouraging with strong indication that all the targets will be met.

“The progress on nearly all the performance and structural benchmarks during Q1FY20 is encouraging and targets will be met. Finance ministry is fully committed along with the IMF towards the ongoing reforms programme”, said the ministry of finance.

The ministry was apparently compelled to issue the statement after certain media reports about programme renegotiation owing to major fiscal slippages on the conclusion of fiscal year 2018-19. The ministry said it believed the “targets under IMF programme are ambitious, there is no need to renegotiate.”

The ministry said misunderstandings have arisen in the media around scheduled visits of IMF Middle East and Central Asia Director Jihad Azour and technical team over the next couple of weeks.

It said the ministry will meet next week with Azour and apprise him on the results achieved so far. “However, this is not an IMF review mission as certain segments of the media have suggested”. The visit of Azour was planned for September soon after the finalisation of the Extended Fund Facility programme.

IMF technical levels talks are expected be held at a later stage after completion of first quarter of the year and will provide both teams the opportunity to review progress made to date, it added.

IMF Country Representative to Pakistan Teresa Daban Sanchez tells Dawn that the IMF programme for Pakistan “will be monitored and reviewed according to the calendar of reviews established in the programme documents. The first one is scheduled for December.”

The language suggests that Azour’s visit is not a “review mission”.

She said the visits by IMF teams are a part of their routine work with country members. The IMF is at present in the process of preparing a staff visit for the period Sept 16-20, she said. At this stage, she could “only but reiterate the Government of Pakistan’s strong commitment to the policies and reforms spelled out at the IMF-supported programme.”

The ministry also dispelled an impression that the government will face a gap of up to Rs1 trillion in the FY20 fiscal framework. It said the fiscal outcomes of FY19 were due to concerns over slowdown in growth and there were three key factors including monetary and exchange rate corrections, need for protection of citizens from rising oil prices and expanding social safety nets and escalation on border with India which contributed to the fiscal deficit rising to 8.9 per cent of the GDP, against target of 7.2pc.

It said the State Bank of Pakistan had taken a policy direction to correct the large trade deficit and shore up foreign exchange reserves.

These measures have helped to reduce the Current Account deficit (CAD) to $13.5 billion in FY19, down from $19.9bn in FY18. However, the rise in interest rates and a weaker rupee have led to a significant jump in the government's debt servicing costs. These contributed Rs104bn to the overall slippage.

On the other hand, the devaluation of the currency eroded profits of the SBP for FY19, with a shortfall of Rs135bn in non-tax revenue.

Non-tax revenue shortfall was exacerbated by the litigation by the telecom operators on renewal of the 3G/4G licenses, and revenue of Rs80bn did not materialise in FY19. This matter is now partially resolved with telecom operators depositing Rs70bn in September as the case continues. The government also faced a shortfall of Rs85bn from interest receipts from PSEs (NHA, WAPDA etc).

The Rs321bn tax revenue shortfall was the single biggest reason for the increase in the fiscal deficit and it was driven by a fall in imports (which account for 45pc of total FBR tax collection in customs duty, general sales tax (GST) and excise).

However, other key factors also contributed. Most notably, the decision of the government to shield domestic consumers from rising oil prices resulted in over Rs100bn shortfall in GST collection.

Against a revised target of 7.2pc of GDP (published in April), at the outset of the programme — the fiscal year closed at 8.9pc of GDP indicating a slippage of Rs686bn, the ministry conceded.

https://www.dawn.com/news/1503989

GEORGIEVA CLOSES IN ON TOP IMF JOB AS NO CHALLENGERS SEEN

September 8, 2019

WASHINGTON: Bulgarian economist Kristalina Georgieva was expected to be the only candidate considered to lead the International Monetary Fund as a nomination deadline is almost ends, two people familiar with the process told Reuters.

The World Bank chief executive's only known potential challenger to be the next IMF managing director, former British finance minister George Osborne, has opted not to run, the sources said.

British Prime Minister Boris Johnson initially sought backing for Osborne to lead the IMF. But a senior UK government source confirmed that Britain now supports Georgieva, who was nominated by European Union countries.

She now has a clear path to assume leadership of the Washington-based multilateral lender in early October, barring an unexpected, last-minute nomination before the 0359 GMT deadline on Saturday.

She would take over at a time when the U.S.-China trade war threatens global growth and financial market pressures are mounting on vulnerable countries including Argentina, which the Fund bailed out last year with a $57 billion loan program, its largest ever.

An IMF spokesman declined to comment on expected nominees, adding that the Fund's secretary will reveal candidates only after they confirm their intention to seek the position.

That means the name of a secret nominee who decides against running would not be revealed.

The candidacy of 66-year-old Georgieva took a major step forward on Thursday as IMF member countries voted to remove an age limit for managing director.

By-laws had required managing directors be under 65 when taking office and prohibited them from serving past their 70th birthday.

Georgieva would replace Christine Lagarde, 63, a former French finance minister who is departing after leading the IMF for eight years to head the European Central Bank.

The IMF board intends to decide on the next managing director by Oct. 4, two weeks before the World Bank and IMF annual meetings.

The IMF has been run by a European since its founding at the end of World War Two.

Georgieva was nominated by EU countries in August as a compromise after deep disagreements over other candidates and multiple rounds of voting in the French-led process. She has held numerous senior European Commission posts, including budget commissioner, and has deep knowledge of emerging market countries served by the World Bank.

U.S. Treasury Secretary Steven Mnuchin, who controls the largest voting bloc on the IMF board, has spoken highly of Georgieva's accomplishments at the World Bank.

https://www.thenews.com.pk/print/523615-georgieva-closes-in-on-top-imf-job-as-no-challengers-seen

NEWS COVERAGE PERIOD FROM SEP 9th TO 15th

PAKISTAN GOVT MEETS IMF'S TARIFF, SOCIAL SAFETY CONDITIONS

By Shahbaz Rana Published: September 12, 2019

ISLAMABAD: The government has said that it has met two conditions of the International Monetary Fund (IMF) about quarterly increase in power tariffs and one-off payments to over five million social safety net beneficiaries to offset the impact of hike in prices.

Under the $6 billion Extended Fund Facility (EFF), Pakistan was required to notify second quarter increase in power tariffs and disburse Rs1,000 per person to Benazir Income Support Programme (BISP) beneficiaries before the end of August.

The requisite quarterly adjustment in power tariffs was done by the National Electric Power Regulatory Authority (Nepra) by the due date and the compensation of Rs1,000 was also paid to the BISP beneficiaries, said Omar Hamid Khan, Special Secretary and Spokesman for the Ministry of Finance in response to questions sent by *The Express Tribune*.

However, sources said the federal government had not notified any fresh increase in electricity tariffs and instead covered the second quarter increase under the previously notified tariffs.

As part of the IMF programme's prior actions, the Pakistan Tehreek-e-Insaf (PTI) government initiated automatic quarterly tariff adjustments with the first increase of Rs1.5 per unit to generate Rs189 billion in additional revenue with effect from July 1 this year.

Government sources said the second quarter adjustment in electricity prices was made along with the first quarter adjustment of Rs1.495 per unit. They said the increase of nearly 50 paisa per unit in the last notification was on account of second quarter adjustment.

However, it is yet to be seen whether the IMF will accept this interpretation of increase in tariffs in first review of the loan programme, which is tentatively scheduled for December this year.

The monitoring and assessment of Pakistan's performance under the EFF is conducted under a calendar of quarterly reviews and the first one is scheduled before December 2019, said Teresa Daban, IMF's Country Representative, when requested for comment.

"The IMF will issue a report after the conclusion of that review in coordination with the Pakistani authorities, for submission to the board of directors of the IMF, which is the final authority that decides if implementation is on track," she replied, when her views were sought on the 50-paisa tariff increase in the previous quarter.

In order to eliminate circular debt in the power sector and make it attractive for private sector investment, the IMF programme heavily relies on increase in electricity tariffs to eliminate the deficit and electricity subsidies.

The energy sector's circular debt stood at Rs1.7 trillion at the end of June 2019 and the government can only add up to Rs81 billion to the debt stock in the current fiscal year, showed the IMF staff-level report.

The IMF programme seeks to completely eliminate the circular debt by December next year.

Responding to a question, the finance ministry said the revenue impact of the increase in tariffs on account of quarterly adjustment would be shared once the data was received from the power distribution companies.

Under the IMF deal, Pakistan is also required to notify the electricity tariff schedule as determined by the regulator by the end of September 2019.

During the first review, the IMF will gauge Pakistan's performance in relation to net international reserves, net domestic assets, reduction in primary deficit, increase in tax revenues by the Federal Board of Revenue, status of external public debt and the privatisation programme.

IMF Director for Central Asia and Middle East Jihad Azhor is also starting his visit to Pakistan next week and he will hold meetings with parliamentarians, government officials and most likely Prime Minister Imran Khan.

The IMF programme has included conditions to enhance the social safety net coverage aimed at offsetting the impact of increase in electricity prices and general inflation fuelled by currency devaluation.

As part of the conditions, the government was required to ensure Rs1,000 one-off disbursement by the end of August to the existing BISP beneficiaries, standing at around 5.4 million.

The finance ministry spokesman said the requisite compensation of Rs1,000 had been paid to the BISP beneficiaries with a total impact of Rs5.08 billion on the budget.

The IMF has also included a quarterly ceiling to make sure that the government disburses Rs180 billion among the BISP beneficiaries during the current fiscal year 2019-20.

BISP is responsible for the implementation of social assistance programme through the conditional and unconditional cash transfer programmes, currently reaching over five million families.

https://tribune.com.pk/story/2054236/2-govt-meets-imfs-tariff-social-safety-conditions/

PAKISTAN LIKELY TO MISS IMF'S TAX REFUND CONDITION

By Shahbaz Rana Published: September 13, 2019

ISLAMABAD: Pakistan is set to miss the International Monetary Fund's (IMF) condition to refund Rs75 billion to taxpayers in the first quarter despite an incentive by the global lender that will soften the tough primary budget deficit reduction target if the country performs better in tax refunds.

Under the $6 billion IMF loan deal, Pakistan is required to reduce the primary budget deficit – calculated by excluding interest payments – to Rs276 billion in the current fiscal year 2019-20 from last year's level of Rs1.350 trillion.

According to the IMF, the first quarter's primary budget deficit target is Rs102 billion, which can be relaxed to an extent if the government pays more than Rs75 billion in tax arrears.

Against the quarterly target of reducing the tax arrears by Rs75 billion, the Pakistan Tehreek-e-Insaf (PTI) government has so far cleared Rs22 billion of the arrears, which are only 30% of the targeted amount, according to figures released by the Federal Board of Revenue (FBR) this week.

Sources said if the government released the remaining Rs53 billion, it would adversely hit the challenging quarterly revenue target of Rs1.071 trillion, also given by the IMF. The FBR has set Rs1.111 trillion target for the July-September quarter.

The key reason behind the low disbursement of tax refunds was a highly ambitious annual revenue collection target of Rs5.5 trillion. Despite setting a relatively low target of Rs644 billion, the FBR could collect only Rs580 billion in July and August, missing the two-month goal by Rs64 billion.

Sources said the FBR's plan was to release a certain amount of refunds through promissory notes that it issued at a fixed rate of 10%. They said the promissory notes could not be issued at a faster pace due to the banks' reluctance to accept these notes as collateral.

The State Bank of Pakistan (SBP) was also unwilling to treat these notes as part of the statutory liquidity ratio of banks, said the sources.

The SBP's view was that these notes could not be treated as a debt due to certain legal obstacles, according to the FBR sources. They said the FBR was trying to clear the exporters' refunds out of its daily collection while the arrears can only be cleared against the promissory notes due to steep revenue targets.

Both the targets of enhancing revenues and clearing refunds were contradictory in nature for the FBR, which has shown inflated collections on many occasions by blocking refunds.

Sources said this week Adviser to Prime Minister on Finance Dr Abdul Hafeez Shaikh held meetings with FBR officials aimed at knowing the status of tax refunds and the possibility of collecting Rs5.5 trillion.

The initial assessment was that there was no possibility of collecting more than Rs4.8 trillion in the given economic conditions, said the sources.

FBR's Member Inland Revenue Policy Dr Hamid Atiq Sarwar told the National Assembly Standing Committee on Finance last week that the FBR may collect Rs4.8 trillion to Rs5.2 trillion in taxes.

"Total outstanding refunds stand at over Rs500 billion," a top FBR official told *The Express Tribune* a few days ago. The figure has been compiled on the basis of individual reports received from all field formations.

However, sources said the FBR had not shared the Rs500 billion arrears with the IMF. It has shared only the processed refunds, which have also not yet been finalised.

In the upcoming review of the IMF programme, Pakistan and the IMF will again discuss the refund payment target as the government's understanding is that the current year's refund payments should only be according to the current year's flow of refunds.

But the IMF indicative target required the government to return Rs75 billion to the taxpayers in the first quarter and then Rs57.5 billion in each of the remaining three quarters.

The IMF staff-level report has shown that the global lender has linked the refund payments with the primary budget deficit target. The ceiling on the general government primary budget deficit will be adjusted downwards by the full amount of any excess in the cumulative flow of tax refund arrears of the respective indicative programme targets, according to the technical Memorandum of Understanding agreed between Pakistan and the IMF.

If the government releases more than Rs75 billion in refunds before September 30, the primary budget deficit target of Rs102 billion will be relaxed by the same amount. However, it seems the government has missed the opportunity of providing relief to the industrialists by not taking advantage of this incentive.

https://tribune.com.pk/story/2055099/2-pakistan-likely-miss-imfs-tax-refund-condition/

ADB TO GIVE $350M FOR ENERGY SECTOR REFORMS

Amin Ahmed Updated September 14, 2019

ISLAMABAD: The Asian Development Bank will shortly approve the energy sector reforms and financial sustainability programme worth $350 million that aims to address fiscal, governance, technical and policy deficits in Pakistan's energy sector.

These deficits have adversely impacted the sector's quality and efficiency of services, and the sustainability of energy infrastructure and finances, thereby challenging Pakistan's fiscal balance and macroeconomic stability.

The energy sector reforms and financial sustainability programme will cost $350m, out of which ADB will provide $300m and the Export-Import Bank of Korea $50m for the programme. The Ministry of Finance will execute the project in collaboration with ADB, while Ministry of Energy will be the implementing agency.

The ADB will start loan negotiations with the government next month, and it is expected that the loan signing and effectiveness of the loan will take place in November this year. A fact-finding mission of ADB has already evaluated the programme, says the project documents released by ADB on Friday.

The programme is conceived in close coordination with key development partners, and underpins the International Monetary Fund's recently approved $6bn extended fund facility to curtail the sector's burden on the annual budget and to stem quasi-fiscal losses and associated negative impact on economic growth.

The programmatic approach and policy-based loan will finance three sub-programmes in 2019-23, and through interlinked policy actions, reform areas of the three sequenced sub-programmes are underpinned on securing financial sustainability; strengthening governance; and reinforcing infrastructure improvements.

https://www.dawn.com/news/1505116

NEWS COVERAGE PERIOD FROM SEP 16th TO 22nd

MINISTRIES DIRECTED TO SUBMIT REPORT ON IMF TARGETS

By Irshad Ansari Published: September 16, 2019

ISLAMABAD: The federal government has asked all the ministries and divisions to submit report about the implementation of targets set for first review with International Monetary Fund (IMF).

With the help of the statistics provided, the finance ministry would prepare for talks with IMF review mission due next week.

According to the finance ministry's letter, a copy of which is available with The Express Tribune, four-day talks between Pakistan and IMF on the extended fund facility programme (EFF) would start from Monday.

IMF staff mission headed by Director for Middle East and Central Asia Jihad Azour would arrive in Islamabad on Monday and stay here till September 20.

The IMF mission would exchange views on macroeconomic situation with Pakistani authorities and other relevant stake holders.

The finance ministry has written letters to Ministry of Power, petroleum division, investment board, Federal Board of Revenue, Oil and Gas Regulatory Authority (Ogra) chairperson, National Electric Power Regulatory Authority (Nepra) chairperson, Benazir Income Support Programme (BISP) secretary, privatisation commission secretary, additional secretary corporate finance wing (finance division), additional secretary international finance wing (finance division), additional finance secretary budget wing (finance division) and other relevant ministries and divisions.

The letter has asked all the relevant ministries and divisions to submit details about the implementation on agreed structural benchmarks, indicative targets and performance criteria targets so that the updated data could be shared with IMF whenever the need arises.

A senior officer of the finance ministry informed The Express Tribune that since many of the conditions agreed with the IMF could not be fulfilled, Pakistan would try to seek exemption on the standards of performance. It is expected that the tax collection target of Rs5.5trillion would also be reviewed.

Sources said that the tax receipts during the last fiscal year had been Rs3825 billion against the projection of Rs4153 billion. The shortfall would effect the targets set for 2019-20 as the base on which this target was set had been changed.

Sources further said that FBI had failed to achieve its first target of Rs4153bn tax collection as agreed with the IMF till June 2019. The target for first quarter of the current fiscal year is also likely unachievable.

The finance ministry has written a separate letter to FBR about tax collections and maintained that under the agreement of provision of $6 billion from IMF to Pakistan, FBR has a target of Rs1076bn for the first quarter (July to September) of the current fiscal year.

The targets have been included in the performance standard and indicative targets for clearance of tax refund to the tax payers. In the first quarter of the current fiscal year, Rs75bn will have to be paid under the head of tax refunds.

The document said that under $6 billion loan arrangement from IMF, FBR had a target of Rs1795bn for the first six months of 2018-19, while the full year tax collection till June 2019 was agreed at Rs4153.

FBR sources said that the first performance target of IMF could not be achieved and that there had been a shortfall of more than Rs400 billion during last year.

They added that if additional revenue for current quarter is not collected, the tax collection target for current fiscal year would be affected as the target of tax receipts for current year had been set keeping in view the targets of last year.

https://tribune.com.pk/story/2057278/1-ministries-directed-submit-report-imf-targets/

WITH REVENUES IN FOCUS, IMF TEAM LANDS TO REVIEW PROGRAMME PROGRESS

Khaleeq Kiani Updated September 17, 2019

ISLAMABAD: The International Monetary Fund's (IMF) Middle East and Central Asia Director Jihad Azour along with an eight-member delegation arrived in Islamabad on Tuesday to hold formal talks with top government functionaries.

Amid his arrival, the government stepped up efforts to recover about Rs85 billion additional revenue from the electricity and gas consumers and firm up a road map to bridge gaps in tax collection.

The visit is being described as "routine" by both sides. A finance ministry representative said the delegation, headed by Azour and Mission Chief to Pakistan Ernesto Ramirez-Rigo, is here "to review the programme as per schedule."

On its first day, the team held informal meetings with Adviser to the Prime Minister on Finance Abdul Hafeez Shaikh and Federal Board of Revenue (FBR) Chairman Shabbar Zaidi on Monday.

As per the proposed schedule of the visit, the delegation will remain in Pakistan until Sept 20. Another official said the delegation will hold marathon meetings with Hafeez Shaikh and top officials of the Ministry of Finance, Planning Minister Khusro Bakhtyar, Planning Commission officials and the Minister of Economic Affairs Hammad Azhar and his team.

The delegation will also meet with the chairpersons and members of the National Electronic Power and Regulatory Authority (Nepra), Oil and Gas Regulatory Authority (Ogra) and Securities and Exchange Commission of Pakistan before traveling to Karachi to hold discussions at the State Bank of Pakistan and other stakeholders.

The delegation will also interact with National Assembly's Standing Committee on Finance led by former finance minister Asad Umar.

While Nepra has already set a date for hearing a Rs63.4bn claim for increase in electricity tariff, the Petroleum Division was set to seek passing on Rs22bn cost of imported Regassified Liquefied Natural Gas to residential, transport and power sector consumers to meet cash shortfalls of gas utilities.

The sources said that critical discussions were anticipated over FBR's revenue collection challenges even though the government expects higher than targeted inflows from non-tax revenues to make up for the losses as evident from interactions between the local IMF staff and the FBR and finance ministry officials.

They said that FBR's current year revenue target of Rs5.555trillion is based on base year revenue assumption of about Rs4.150tr for last financial year but actual recoveries were hardly close to Rs3.83tr, leaving a gap of about Rs450bn to begin with.

On top of that, the shortfall in the first two months of current fiscal year had gone beyond Rs64bn. Based on this, the IMF staff had doubts over Rs1.076tr revenue target for the first quarter that has to be bridged before the first review which is due in less than two months.

That is where the delegation seeks to have political commitment at the highest level during the current engagements followed by the PM's upcoming visit to the United States later this week, the sources added.

Some outstanding issues also pertained to amendments in the laws governing Nepra and Ogra in a manner that prices determined by regulators automatically stand notified without involvement of the executive.

Nepra, which has called a public hearing on Sept 25, will consider power companies' request to pass an additional burden of Rs63.407bn on to the consumers because of quarterly adjustments in the fiscal year 2018-19 and annual adjustment on prior period cost.

On the other hand, the 10 distribution companies (Discos) have also sought an upward adjustment of Rs30.262bn because of variation in Fuel Purchase Price for the last two quarters of 2018-19 while three of the Discos have also sought for the annual adjustments of prior period cost of Rs33.145bn.

The government had already passed on about Rs190bn quarterly adjustments to consumers under the IMF programme a few months ago along with up to 146pc increase in gas tariff.

Adviser to PM Hafeez Shaikh on Sunday described the delegation's visit as a routine affair having no relation with the quarterly reviews.

The finance ministry has been saying that its reform agenda signed with the IMF was on track and progress so far on nearly all the performance and structural benchmarks for first quarter of the current fiscal year were very encouraging with strong indication that the targets will be achieved.

"The progress on nearly all the performance and structural benchmarks during Q1FY20 is encouraging and targets will be met. Finance ministry is fully committed along with the IMF towards the ongoing reforms programme", said the ministry about a week ago.

https://www.dawn.com/news/1505637/with-revenues-in-focus-imf-team-lands-to-review-programme-progress

PAKISTAN SHOULD BUILD BUFFERS TO ABSORB SHOCKS: IMF

Khaleeq Kiani September 18, 2019

ISLAMABAD: The International Monetary Fund (IMF) on Tuesday asked Pakistan to increase buffers in order to absorb unexpected internal and external shocks to the economy as it faced criticism from parliamentarians for designing a programme that caused difficulties for the people and businesses.

The IMF has also ruled out any revision in its programme targets with Pakistan and generally appreciated the progress shown by the authorities towards stabilisation of macroeconomic indicators and their initial encouraging results.

An eight-member IMF delegation, led by Director for Middle East and Central Asia Jihad Azour and accompanied by mission chief to Pakistan Ernesto Ramirez-Rigo, had hectic meetings, including one with Prime Minister Imran Khan, and was encouraged by his commitments to push forward economic and institutional reforms as envisaged in the Fund programme.

The IMF team held meetings with various economic managers, including Adviser to the Prime Minister on Finance Dr Abdul Hafeez Shaikh, State Bank of Pakistan Governor Dr Reza Baqir and members of the National Assembly's Standing Committee on Finance.

At a joint news conference with Dr Shaikh in the evening, Mr Azour said the IMF staff mission would visit Pakistan by the end of October or early November for the first quarterly review under the $6 billion Extended Fund Facility, adding that things were moving in the right direction and there was no need to reset the targets.

The NA standing committee members criticised the Fund for designing a programme that had created challenges to the economy and caused difficulties for the people and raised questions over inflation, currency devaluation, interest rates and revenue targets. They regretted that Dr Shaikh abstained from the committee meeting and his seat was kept vacant during discussions as the Fund mostly listened to their concerns and defended the programme parameters that the Fund said were designed by the Pakistan government and got approved from parliament.

PPP's Nafisa Shah said the IMF team was told that the Fund and the Financial Action Task Force had compromised Pakistan's sovereignty by curtailing the China-Pakistan Economic Corridor.

Mr Azour did not respond to the question on the subject.

He said Pakistan should "increase the level of buffers to be ready to address shocks that will come to the system due to domestic or external reasons" because there could be uncertainties along the way like nobody knew that weekend things would change so dramatically in the Middle East.

Dr Shaikh said there was nothing extraordinary about the visit of the IMF delegation that noted good progress on macroeconomic, fiscal and institutional reforms as all targets and benchmarks were being fulfilled in a good manner.

Mr Azour said the authorities had put the Fund programme on a good footing and his MECA department was impressed by the progress on a number of reforms being carried out by the government.

He said Pakistan needed to provide additional independence to the State Bank to give more credibility to the monetary policy, adding that other institutional reforms were equally important to make the economy competitive. In this regard, he specifically mentioned the energy sector circular debt that remained a "big source of uncertainty".

He said that while initial moves on the reforms were encouraging, it was important to keep focus and energy to help stabilise the economy and increase exports in order to create more jobs. At the same time, he said there was no need for revision in revenue targets as the collection for the first two months increased by 15 per cent, but the Federal Board of Revenue needed to move quickly towards automation, improve tax services and make taxes fairer.

Chairman of the NA panel Asad Umar said its members had raised a number of questions and expressed concerns, but the IMF was generally satisfied with the progress achieved by Pakistan so far.

https://www.dawn.com/news/1505838

IMF SAYS WON'T REVISE PROGRAM TARGETS

ZAHEER ABBASI & MUSHTAQ GHUMMAN SEP 18TH, 2019

ISLAMABAD: The Interna-tional Monetary Fund (IMF) said on Tuesday that the energy sector's circular debt is burden on the state and a big source of uncertainty, and made it clear that it would not revise its program targets already agreed with the government. This was stated by the head of IMF delegation Jihad Azour, IMF Director for Middle East and Central Asia Department, who along with Pakistan economic team led by Dr Hafeez Shaikh held interaction with media at Finance Ministry.

Jihad Azour said that he would be visiting Karachi today (Wednesday) for having a meeting with business community and Governor State Bank of Pakistan (SBP). "There is also a need to address the issue of circular debt which is a burden on the state and a big source of uncertainty," he said. He asked the journalists to visit the IMF website and get program's details which are, albeit, technical.

He further stated that the National Assembly's Standing Committee on Finance was right in asking "how IMF is comfortable that economy will stabilize soon and inflation will not further shoot up." He added there would be uncertainly and things would not change quickly and one has to increase buffer also to address any shock. "My visit is to express my personal support and support of the department to the programme Pakistani government is trying to achieve," he said, adding that he was impressed by a number of reforms that the government is already undertaking.

Azour added that in fact reforms started before the programme and "we need some time to see things showing some results." Replying to questions about weak business confidence and recent development with regard to oil prices, Azour said that recent development has taken place in an unexpected way and therefore, current situation is being assessed as to what impact of recent developments would be on both the oil exporting economy and oil importing economy.

He said volatility of oil prices is an issue that would affect the countries of the region and to address the issue of volatility of prices, the Fund has certain number of recommendations for oil importing countries to reduce their dependence on oil. He said that the programme has started yielding results although there are only three months and these are encouraging both in terms of how exchange rate has been dealt with and monetary policy has been employed. "We are trying to be cautious because the programme is at very early stage with only three months in implementing it and first review is to take place from two months now." He said that it is very important to see how the measures are being implemented as well as how the process of moving from current exchange rate to market-based exchange rate regime is to be implemented.

He said that first steps are encouraging and it is important to take some time to assess the implementation. This is homegrown programme based on assessment of the situation and economic and social challenges being faced by Pakistan. The programme requires addressing certain imbalances which have been built in the system. He added that addressing the imbalance would also have some repercussions on social sector. The programme, he added, would hopefully help exports grow and economy will create more jobs. He said that there is agreement to reform the whole energy sector and to deal with shortages in electricity supply to the industry so that exports are increased.

The IMF director said he would keep repeating that it is government's programme because along with the IMF other IFIs are also involved in it. The IMF contribution to the programme is $6 billion and overall resources to be made available to it would be exceeding $30 billion, he added. He said the programme requirement is sustained reforms. He said that off course everybody's focus is on stabilization of adjustment in monetary policy that should be market-based as well as on fiscal adjustment but the programme is not all about this. He added that institutional reforms are also in the programme and one element of it is that SBP will provide additional credibility to monetary policy by reforming the status of central bank and making it more independent. He said that the same thing is applied to the issue of reforming other institutions to make the economy more competitive. He said that it is important for a big country like Pakistan to grow at faster rate and create jobs in various sectors, and this would require certain number of structural reforms for removing some of the weaknesses in doing business and improving the tax system and tax culture.

He said this is what the programme wants to achieve by taking into consideration that there would be some pressure because of that when prices will go up, there would be additional tax.

He said that this is why Fund calls for fiscal space so that additional saved money can be used to finance some of the social programme, while adding although this is not enough because the problem may be bigger but is the first good step to move towards providing education, better health and basic social safety net. He said that this is what the Fund team discussed with National Assembly Standing Committee on Finance.

Jihad Azour stated that he had a pleasure and honour to meet Prime Minister Imran Khan, Adviser on Finance Dr Hafeez, Governor State Bank of Pakistan Reza Baqir and Finance Committee of the National Assembly at the Parliament. He said it was an opportunity to discuss reforms programme that the government of Pakistan supports and has put in place.

He said that he was planning to come here in July 2019 but visit of the Prime Minister of Pakistan to Washington led him to change his plan. He said that the visit has come at an important moment and the programme has been started on a good footing and team led by mission chief will visit at the end of October and beginning of November to do the first review.

Replying to a question, he said, "Our expectation is that implementation will be steadfast and it is Fund's commitment to work with authorities for their ambitious reforms programme which goes beyond macroeconomic component to structural changes." He said that revenue growth is very impressive with GST domestic is growing at 50 percent and total domestic revenue is growing close to 30 percent. "The FBR is implementing certain reforms," he added.

Earlier, Adviser to Prime Minister on Finance Dr Abdul Hafeez Shaikh said that the IMF is important to bring about improvement in the Pakistan economy and the government is sincerely trying to implement the targets and benchmarks should be competed in good manner. He said this dialogue is ongoing one and there is nothing extraordinary that has generated this meeting. "This meeting was well planned and we are grateful to director IMF for coming here and this is his first visit to Pakistan," he added.

https://fp.brecorder.com/2019/09/20190918518512/

THE IMF COMES A CALLING

RECORDER REPORT SEP 19TH, 2019 EDITORIAL

The International Monetary Fund (IMF) will not revise targets already agreed, so stated the Fund's Director for the Middle East and Central Asian Department during the press conference held jointly with the Pakistan economic team led by Hafeez Sheikh and Reza Baqir. This should be a source of serious concern for Pakistan's non-political economic managers and more particularly for Prime Minister Imran Khan as the political fallout of this assurance is projected to be considerable for two major reasons.

First, the revised data for 2018-19 released this month precludes the probability of achieving the agreed budget deficit (and components revenue and expenditure) target as contained in the budget for 2019-20 because the base line moved considerably.

Thus the projected budget deficit in May for the entire year was 7.2 percent but actual deficit was at 8.9 percent, federal tax revenue collection for the year past was projected in the budget at 4.4 trillion rupees while actual collection was 4 trillion rupees, and total expenditure was budgeted at 7 trillion rupees for last fiscal year while the actual outlay was 8.3 trillion rupees. The revenue target given to the Federal Board of Revenue Chairman Shabbar Zaidi of 5.5 trillion rupees for the current year has been declared totally unrealistic given the projected growth rate of the economy of 2.4 percent. These wide discrepancies between actual data and what the economic team projected to the Fund during negotiations no doubt prompted the Advisor on Finance to state that non-tax revenue would be higher than budgeted (one trillion rupees as opposed to the budgeted amount of 894 billion rupees) and privatisation process would be fast tracked. In this context, it is relevant to note that the budget 2019-20, whose main architect one may assume is the Advisor himself, projected privatisation proceeds of only 150 billion rupees in the current year while recently he has stated that around 300 billion rupees would be generated through sale of two RLNG plants. Be that as it may, during previous press conferences chaired by Sheikh, he stated that he envisages an additional 250 billion rupees rise in revenue (100 billion rupees under non-tax revenue and an additional 150 billion rupees under privatisation). This raises the question whether this amount would be sufficient to meet the targets agreed with the Fund.

A window allowed in the budget to meet these discrepancies is in diverting contingencies' allocation of 115 billion rupees. However this amount if added onto the 250 billion rupees additional revenue is not going to be sufficient to achieve 0.6 percent primary deficit target which the Fund's Director indicated remains unchanged. And this may well be the reason for Sheikh stating in a previous press conference that reducing expenditure is an option though he shied away from actually announcing whether development expenditure would be curtailed, as in the past, or would current expenditure be slashed (though not grants and transfers which include Prime Minister Imran Khan's signature Ehsaas programme); and explains why the Director of IMF acknowledged that addressing imbalances may have repercussions on the social sector. He added that fiscal space is required to finance social programmes and talked of a first step towards improved social sector reach, a comment that no doubt fuelled concern by the members of the standing committee on finance.

The Director also referred to the institutional reforms of the programme and stated that additional credibility to monetary policy would require reforming the status of the central bank and making it more independent. This statement is inexplicable as the law granting independence to the SBP exists and while he may have been referring to the past practice of our ministers of finance to control the SBP's monetary policy decisions yet there have been few, if any, such interventions in recent months. However, Business Recorder would like to draw the attention of the government towards over-correction by the SBP after a staff-level agreement was reached on 12 May 2019 not only in terms of the rupee value which is presently undervalued as per the SBP website but also with respect to the discount rate which is higher than the core inflation by 4 to 5 percent (a more reasonable 3 percent would have not negatively impacted on business output quite as much as the present rate).

To conclude, the general perception is that the IMF team's current visit is to express solidarity with the economic team which, in turn, is adhering to the commitments it made to the Fund though with the goal-post having been significantly shifted as per the revised data for last year the targets agreed with the IMF are becoming even more politically challenging than was at first thought.

https://fp.brecorder.com/2019/09/20190919518813/

PROGRAMME OFF TO A GOOD START: IMF

Staff Reporter Updated September 20, 2019

KARACHI: The International Monetary Fund's (IMF) Director Middle East and Central Asia Department Jihad Azour on Thursday suggested the government to increase length of the State Bank of Pakistan governor's tenure from the existing three years.

In a long and detailed interaction with media, the director said that in order for it to be in line with international practices, the SBP governor's term of service should be closer to five years.

He said this while elaborating on a question about the specifics of the reforms the IMF was seeking for the central bank.

Other reform measures included "greater operational autonomy in law" as well as changes in the priority of the objectives set for the central bank, as well as an end to all State Bank credit to the government.

He said his visit to Pakistan "is not a review since that is scheduled for end of October or first week of November." Instead, the purpose of his visit is only to "meet the authorities and key stakeholders to get a first hand impression of how the situation is," he emphasised.

His words put to rest the controversy that his visit was in response to slippages in programme implementation thus far or an SOS from the government.

"Nobody in government asked for any changes in the targets" or timelines contained in the programme, he said in the interaction at a local hotel in Karachi, where Azour is visiting after his discussions in Islamabad.

He was accompanied by Mission Chief for Pakistan Ernesto Ramirez Rigo and Teresa Daban Sanchez, the resident representative in the country.

"It is far too soon in the programme to expect anything, the first review will be the time to see if we are on track with the targets," he said, though he was able to say that "the programme is off to a good start", without getting more specific regarding the numbers. "Early signs show things are responding faster than they do in other countries".

When asked on the risks faced by the programme, he replied that there are several pillars upon which the envisaged package of stabilisation and reforms stands, and "each of these pillars need to be moving together, not just stabilisation."

Second, he pointed to external shocks, for which he said the country needs to "build buffers", referring to fiscal space and foreign exchange reserves.

"Reform fatigue could begin to set in," he continued, saying "people might feel too much pain, but wait and see mode will not help the economy."

When asked whether he sees the present state of play of politics in the country as another potential area of risk, he deferred answering, saying simply "I am not knowledgeable enough of the complexity of Pakistani politics" and put the question to Ernesto Ramirez Rigo, the mission chief for Pakistan.

"Politics will present a challenge," Rigo said, adding that the programme "will require building consensus."

"In some areas like regulatory reform or SBP reform consensus should be easy to get," he continued, "but other areas will require building consensus." He would not get more specific.

He said it is important to make the reforms irreversible, giving the circular debt as an example. "It is important not just to address the stock and flow of the circular debt at this time, but to ensure it does not reemerge in the future."

He also emphasised "scaling up social protection and public capital spending" with the resources that will accrue to the state down the road with successful programme implementation.

"Commitments have been made from both sides," he said towards the end, referring to the programme's conditions.

In a separate development, the IMF delegation led by Director Middle East and Central Asia Department Jihad Azour also met with SBP Governor Reza Baqir to discuss the country's economic situation.

The SBP governor while sharing his views on the economy with the visiting delegation said that, "Pakistan has embarked on its home-grown economic reform programme and said that he looked forward to a continuing fruitful partnership with the IMF and other stakeholders in the international financial community to support this reform programme."

He also added that the initial results from the reform IMF programme were "encouraging".

https://www.dawn.com/news/1506272

IMF IMPRESSIONS

Editorial September 21, 2019

FOR a number of days, a senior delegation from the International Monetary Fund, consisting of a director and the mission chief, made the rounds in Islamabad and Karachi, gathering impressions of how the implementation of the IMF programme has been going thus far. They met government leaders and opposition politicians, as well as the State Bank leadership, business stakeholders and the media. After their round of meetings, Mr Jihad Azour, the director of the Middle East department of the IMF, told media persons that the programme is "off to a good start". This assurance alone is important because it should lay to rest all speculation that the visit was some sort of an emergency event due to slippages in meeting the targets. The team was clear that a formal review is scheduled for the end of October or early November, with the exact dates yet to be finalised, and that it is far too soon to start evaluating the programme's success or failure. The most fundamental message of the team was for the authorities in Pakistan to stay the course; meanwhile, it was conveyed to the business elite and larger populace that without going through a difficult process of adjustment, the economy would not improve.

This much is fine. But the team also made some observations that merit further comment. In their assessment, there is a strong commitment to the programme and the reform targets envisaged in it at the topmost levels of the government. Mr Azour even said that the prime minister himself, whom he has met three times already, is very committed to the programme. We hope this is true, since sticking to a path of reform and not making further about-turns is important. Besides, Pakistan has little choice at this point in time but to continue and earn the Fund's seal of approval after the first review, because meeting the Fund's targets depend — crucially — on unlocking a large quantity of other financial assistance.

Ownership of the programme is critical to its success — there is no doubt about this. But if it is too soon to evaluate the programme's success, it is also too soon to assess the quality of the ownership that the programme enjoys. Many of the more critical steps in the reform agenda have yet to be rolled out. All we have seen at the moment is a large macroeconomic adjustment, in the form of currency depreciation, high interest rates and a fierce tax effort launched since July. Many other steps, the real ones as a matter of fact, have yet to come. But those steps will require ownership beyond just the federal government level. The opposition parties, the provincial governments, and indeed the citizenry itself, have yet to be called upon to play their role. It is when that time comes that we will know how much ownership the programme actually enjoys.

https://www.dawn.com/news/1506466/imf-impressions

AILING ECONOMY IMF PRESCRIBES 'DECISIVE' REFORM IMPLEMENTATION DOSE

RECORDER REPORT 2019/09/21

ISLAMABAD: The Interna-tional Monetary Fund (IMF) has stated that "decisive" implementation of the economic reforms program of Extended Fund Facility (EFF) is critical to pave way for stronger and sustainable growth.

An International Monetary Fund (IMF) mission, led by Ernesto Ramirez Rigo, visited Islamabad and Karachi during September 16–20, 2019 to take stock of economic developments since the start of the Extended Fund Facility (EFF) and discuss progress on the implementation of economic policies. At the conclusions of staff visit, the IMF mission chief stated "the near-term macroeconomic outlook is broadly unchanged from the time of the program approval, with growth projected at 2.4 percent in fiscal year 2019-20, inflation expected to decline in the coming months, and the current account adjusting more rapidly than anticipated. However, domestic and international risks remain, and structural economic challenges persist. In this context, the authorities need to press ahead with their reform agenda." Pakistan's economic program is off to a promising start, but decisive implementation is critical to pave the way for stronger and sustainable growth.

The IMF mission will return to Pakistan in late-October to conduct the first review under the EFF.

"While the authorities' economic reform program is still in its early stages, there has been progress in some key areas. The transition to a market-determined exchange rate has started to deliver positive results on the external balance, exchange rate volatility has diminished, monetary policy is helping control inflation, and the SBP has improved its foreign exchange buffers.

"There has been a significant improvement in tax revenue collection, with taxes showing double-digit growth net of exporters' refunds. Moreover, the FBR is undertaking significant steps to improve tax administration and its interface with taxpayers."

The IMF further stated that staff and the authorities have analyzed the worse than expected fiscal results of fiscal year 2018-19, which were partially the result of one-off factors and should not jeopardize the ambitious fiscal targets for fiscal year 2019-20. Importantly, the social spending measures in the program have been implemented.

https://epaper.brecorder.com/2019/09/21/1-page/801985-news.html

CIRCULAR DEBT HAS DIPPED SIGNIFICANTLY, OMAR AYUB TELLS IMF

By Our Correspondent Published: September 21, 2019

ISLAMABAD: Due to concerted efforts of the Power Division, circular debt has shown considerable reduction in its growth, said Federal Minister for Power Omar Ayub.

In a meeting with IMF delegation headed by Mission Chief Ernesto Ramirez Rigo, the minister reiterated historic achievements made by the Power Division, which resulted in record recoveries and reduction in line losses.

"Circular debt was growing at a rate of Rs38 billion per month," he said, adding, "Within eight months till the end of FY19, its growth rate was reduced to Rs26 billion per month." The minister remarked that results for July 2019 were even more encouraging when the growth was further arrested to Rs18 billion per month.

Ayub pointed out that these achievements were the result of comprehensive campaigning against power theft and defaulters initiated by the Power Division. He also informed the delegation on the technical and system improvement measures undertaken by the Power Division in the sector.

"Ariel Bundled Cables are being installed by power distribution companies in areas where hooks and power theft from lines are rampant," he said. "In areas where the problem is more sophisticated like major urban centres, AMI meters are in execution."

He further informed that 80% of the total feeders in the country were now free of load management.

Ayub added that the department was investing in the distribution system to improve its technical viability and increase human resources in a bid to make these entities perform efficiently. He also apprised the delegation of the new Renewable Energy Policy in which the government was targeting to increase share of indigenous resources and slashing electricity prices for consumers besides reducing dependency on imported fuels. "We intend to increase the share of indigenous resources up to 75%," he added. Also speaking on the occasion, Rigo appreciated the efforts made by the Power Division in meeting its targets. He also expressed pleasure over the move formulating a new renewable energy policy.

"Power is an integral part of the IMF programme," said Rigo, adding that the power sector's performance, in his view, was encouraging after IMF had detailed discussions with various stakeholders.

He also appreciated the shift towards utilisation of indigenous resources leading towards reducing the prices of electricity in the country that will ultimately benefit all walks of life.

https://tribune.com.pk/story/2061428/2-circular-debt-dipped-significantly-omar-ayub-tells-imf/

PAKISTAN GETS $1.5B WORTH OF FOREIGN LOANS IN JUL-AUG

By Shahbaz Rana Published: September 22, 2019

ISLAMABAD: Pakistan received $1.5 billion or Rs237 billion worth of foreign loans in first two months of the current fiscal year, higher by 108% over the same period of the previous year, aimed at meeting the country's financing needs.

Foreign disbursements have started picking up following signing of the International Monetary Fund (IMF) loan programme, which seeks $38 billion in foreign funding over three years to keep Pakistan afloat.

Bilateral and multilateral creditors and commercial banks disbursed $1.49 billion in loans in the July-August period of the fiscal year 2019-20, according to statistics compiled by the Ministry of Economic Affairs.

The disbursements were higher by $774 million or 108% compared with loans of $714 million received in July-August FY19.

In addition to loans of $1.5 billion, Pakistan also obtained $132.3 million worth of foreign grants from the United Kingdom, the United States, and Japan.

The $1.5 billion in loans were equal to 11.5% of the projected $13-billion borrowing that the Pakistan Tehreek-e-Insaf (PTI) government targeted to secure in the current fiscal year in a bid to meet current account deficit and debt repayment requirements.

In its first year in power, the PTI government had acquired $16 billion worth of external loans.

The financing requirement for the current account deficit has started going down but still, the government will need roughly $8 billion in this fiscal year to fill the gap. Pakistan's gross external financing needs have been assessed at a minimum of $25.6 billion by the IMF for the current fiscal year. The assessment is based on the projected current account deficit of $6.6 billion in the year.

However, State Bank of Pakistan (SBP) Deputy Governor Jameel Ahmad said on Friday that the current account deficit may remain around $8 billion.

During July-August FY20, Pakistan registered a $1.3-billion current account deficit, down 53% compared to the same period of the previous fiscal year. Owing to the $13.5-billion current account deficit and nearly $11 billion worth of loan repayments in the last fiscal year, Pakistan borrowed a whopping $16 billion through foreign loans in the year aimed at avoiding default on international debt obligations and financing imports.

The borrowing of $1.5 billion in July-August FY20 included $321.5 million in commercial loans and $500 million in first budgetary support from the Asian Development Bank (ADB) after the signing of IMF deal.

Disbursements by bilateral lenders stood at $272 million or 18% of total loans. Saudi Arabia gave $108 million for import of Saudi goods.

China disbursed $158.3 million in project financing in the first two months of FY20, nearly 47% less than the comparative period of last year. Chinese project financing has slowed down due to the completion of many China-Pakistan Economic Corridor (CPEC) schemes.

Beijing disbursed $27.2 million for the Havelian-Thakot road project and $68.2 million for the Sukkur-Multan motorway that has been completed and awaiting inauguration by Prime Minister Imran Khan.

CPEC was affected the most by the stringent conditions of the IMF loan programme. Owing to the tough loan terms, the roughly $9-billion Mainline-I railway project of CPEC is unlikely to be executed in the near future.

Pakistan received $321.5 million in relatively expensive commercial loans, which were over 21% of the total disbursements. There was almost fivefold increase in loan disbursements by commercial banks. Pakistan has estimated receiving $2 billion in commercial loans during the current fiscal year.

Citibank gave $148.2 million in short-term term finance facility to the government last month. Dubai Bank and a consortium led by Credit Suisse disbursed $173 million worth of loans in July at floating London Interbank Offered Rates.

SBP Governor Dr Reza Baqir is trying to lure risky hot money from Citibank into government securities.

The hot foreign money provides temporary cushion for the foreign exchange reserves but it creates more uncertainty when investors start pulling out their money due to a reduction in interest rate.

Sakib Sherani, the former economic adviser to the Pakistan Peoples Party government, stated on Friday that Baqir attended a Citibank-sponsored conference in London in order to secure hot foreign money.

Loan disbursements by multilateral creditors kept growing last month and the country received $896 million from them, which was 60% of the total disbursements.

The Islamic Development Bank disbursed $285 million under the oil credit facility out of the total of $551 million. The ADB disbursed $520 million during the first two months of FY20 mainly on account of the programme loan. Pakistan has budgeted $1.7 billion in ADB funding, although it expects to receive more than $2.2 billion.

The World Bank has released $65 million so far against the annual estimate of close to $1.2 billion.

The government has begun the process of hiring financial advisers for floating long-term security papers in the international debt market. It plans to raise $3 billion by floating Eurobonds and Sukuk.

https://tribune.com.pk/story/2062297/2-pakistan-gets-1-5b-worth-foreign-loans-jul-aug/

NEWS COVERAGE PERIOD FROM SEP 23rd TO 29th

IMF PROGRAM

BR – ePaper September 23, 2019

The International Monetary Fund (IMF) team led by Director Middle East and Central Asia Department Jihad Azour, including the mission leader for the 6 billion dollar Extended Fund Facility programme approved by the Fund Board on 3 July 2019, in a handout stated that “the near term macroeconomic outlook is broadly changed from the time of the programme approval with growth projected at 2.4 percent (undermining the claim of Advisor to the Prime Minister on Finance Hafeez Sheikh that growth would be higher than 3 percent in the current year), inflation expected to decline (diplomatically not focusing on the fact that inflation is projected to rise further to 13 percent with independent economists claiming that it is likely to be at least three percentage points higher by the end of the year) and the current account adjusting more rapidly than anticipated” (attributable to a decline in imports not only due to the rupee-dollar parity but also due to a substantial reduction in capital imports on completion of the China Pakistan Economic Corridor projects).

Sadly, the Fund did not dwell on the over-correction by the State Bank of Pakistan, with respect to: (i) the discount rate of 13.25 percent is higher by 4.75 percentage points than the core inflation which as per the SBP website was estimated at 8.5 percent in August 2019 compared to 8.2 percent in July 2019 and 5.9 percent in August 2018. A difference of at best 3 percentage points would have had a less debilitating effect on private sector credit and consequently industrial output and the number of layoffs. Additionally, using the discount rate to reduce inflation does not take account of the fact that Pakistan’s cash economy is significant and that any manipulation of the discount rate merely contracts the legal or documented economy; and (ii) market-based exchange rate which in August 2019 was undervalued by around 7 percent. Data on the SBP website indicates that the rupee has been undervalued since January 2019, well before the staff level agreement was reached between the IMF and the government authorities. This leads one to conclude that after the implementation of the market-based exchange rate as per IMF prior condition, and which led to the rupee being undervalued by 10 percentage points in June as opposed to 4 percentage points in May (REER data on the SBP website) did not reflect a market-based exchange rate.

With respect to IMF conditions relating to the Ministry of Finance the Business Recorder supports the reforms; however, had the sequencing of the Fund’s programme conditions been more realistic and less front-loaded risks/concerns over the country staying the course would have been not as high as at present. The revenue target is unrealistic because merely relying on a drive to document the undocumented in one year is unlikely. The increase in filers in spite of threats and warnings has generated only 5 billion rupees additional as per the Chairman of the Federal Board of Revenue. And any increase in revenue from the productive sectors is at risk due to the low projected growth of the economy.

This implies that a mini-budget is simply not an option which has prompted the advisor on finance, Hafeez Shaikh, to maintain that the government would raise non-tax revenue to one trillion rupees in the current year. This is doable as non-tax revenue in the budget is projected at 894 billion rupees and the shortfall would be made up by the projected doable rise in issuing cellular licenses of up to 300 billion rupees (the budget understates the amount at 52.7 billion rupees) and reducing the State Bank profit to 300 billion rupees (from the budgeted 400 billion rupees).

But by far the heaviest reliance on meeting the budget deficit shortfall one would assume would be through privatization. Economists point out to the fact that privatization proceeds cannot be revenue but a finance item, as per privatization playbook drafted by Hafeez Sheikh as the Minister of Privatization during Musharraf’s era. Be that as it may, the government will unhesitatingly use the proceeds as revenue and in this context it is relevant to note that the economic team pledged to the Fund to jumpstart the privatization process and focus on those state owned entities with “minimal operational, financial and human resources issues." The more supportable pledges however have not yet been implemented and include (i) strengthening monitoring of state-owned entities, (ii) increasing SOE transparency and (iii) enhancing the SOE legal framework which is simply not doable given the government's lack of a majority in the Senate and its continued confrontational stance with the opposition.

The Business Recorder has been urging the government to reduce its expenditure, which in spite of claims to the contrary, has risen dramatically – current expenditure by 30 percent (excluding debt servicing) and development expenditure by 40 percent compared to budget documents. However, the consolidated federal and provincial expenditure data released recently indicates that actual government expenditure last year is around 7.1 trillion rupees (instead of the revised 5.58 trillion rupees projected in the budget documents) with 7.288 trillion rupees budgeted for the current year which implies that the government intends to raise expenditure by only 100 billion rupees this year – a target that is grossly unrealistic.

To conclude, the Fund has not focused on the incorrect data that was the base-line for setting program targets as well as over-correction by the SBP with negative implications on the living standards of the people of this country during its recent visit. The IMF's Azour made it clear that this visit is not a review mission that would come in late October as scheduled in the program document and it is hoped that this would be rectified in the first quarterly mandatory review scheduled for next month.

https://epaper.brecorder.com/2019/09/23/14-page/802341-news.html

PTI GOVT APPROVES $1B CRISIS RESPONSE LOAN FROM ADB

By Shahbaz Rana Published: September 26, 2019

ISLAMABAD: The government on Wednesday approved the proposal of acquiring a $1-billion crisis response loan from the Asian Development Bank (ADB), paving the way for its approval by the lending agency in November.

The Central Development Working Party (CDWP) approved the special policy-based lending that the Pakistan Tehreek-e-Insaf (PTI) government wanted to avail to build the country's foreign exchange reserves. The Ministry of Finance moved the summary to the CDWP for seeking its nod.

In addition to that, the CDWP meeting, presided over by Planning Commission Deputy Chairman Jehanzeb Khan, approved five projects of Rs11 billion and recommended two projects of Rs25 billion to the Executive Committee of National Economic Council (Ecnec) for consideration.

Islamabad has formally requested the Manila-based lending agency to provide the loan through a special policy-based lending instrument. It is a crisis response facility offered by the ADB as part of its international rescue efforts to help nations meet foreign payment obligations.

It is for the first time in Pakistan's history that it will avail the crisis response facility to repay its foreign debt and build foreign currency reserves. The ADB board of directors is tentatively scheduled to meet in the second week of November to approve the crisis response loan – days after completion of the first review of the International Monetary Fund (IMF) loan programme for the July-September quarter.

The ADB has attached conditions of fiscal consolidation, strengthening of social safety nets, prudent debt management, a flexible exchange rate regime and comprehensive energy sector reforms in return for the $1-billion emergency lending, according to a concept clearance note.

Most of these conditions are already part of the IMF's 39-month programme and the government is in the process of implementing them.

In its concept note, the Ministry of Finance stated that the economy was plagued with numerous deep-seated structural problems, which had gone unaddressed for years and adversely affected performance of the economy.

Owing to these imbalances, Pakistan, which was once the fastest growing economy in the region, is now among the slowest growing countries in South Asia.

In its Asian Development Outlook Update, released on Wednesday, the ADB projected that Pakistan's economy would grow at a pace of 2.8% – the lowest in South Asia. Inflation rate is projected at 12% by the ADB – the highest in South Asia.

The finance ministry stated that due to high fiscal deficits and financing requirements of state-owned enterprises, the share of government borrowing in the banking system credit, including the State Bank of Pakistan (SBP) and commercial banks, increased from 35% in 2005-06 to 74% in 2017-18.

The finance ministry claimed that because of its growing needs, only 26% of the banking system credit was available for the private sector, which adversely affected private investment in the country.

"Without a government-managed adjustment, the foreign exchange reserves would have forced the government into a default on its debt servicing and other payment liabilities, making it extremely difficult for it to raise direly needed finances from abroad," according to the concept clearance note for the $1-billion financing.

The ADB and the World Bank had suspended Pakistan's budgetary support in 2017 after its macroeconomic conditions started deteriorating. However, the ADB in July this year approved a $500-million budgetary support for the first time in over two years.

The CDWP approved two projects related to the energy sector. It endorsed a 500-kilovolt electricity sub-station project worth Rs7.2 billion.

The objective of the project is the conversion of a 500kv switching station at Moro to meet the growing power requirement of Sukkur Electric Power Company (Sepco) including a 132kv grid station at Kandiaro and Naushehro Feroze in the jurisdiction of Sepco.

The project of Expo Centre Quetta worth Rs2.5 billion was also approved in the meeting. The project envisages construction of two exhibition halls each having 45,000 square feet floor area along with a convention centre and allied facilities having covered area of about 200,000 square feet over 200 kanals of land in phase-I.

The CDWP recommended the building of a sewerage system in Lahore worth Rs14.1 billion to Ecnec for approval. It also recommended the operationalisation of Green Line Bus Rapid Transit Karachi project to Ecnec. The total cost of the project is roughly Rs11 billion.

A project related to education was presented in the meeting, namely the establishment of a national curriculum council worth Rs239 million, and was approved by the CDWP.

The nature of the project suggests that it should not be part of the development programme and be financed from the recurring budget of the ministry.

Published in The Express Tribune, September 26th, 2019.

https://tribune.com.pk/story/2064439/1-shc-seeks-details-contract-dmcs-chinese-firm/

WB URGES SETTLEMENT OF DASU LAND ACQUISITION ISSUE

By Khalid Hasnain | 9/28/2019 12:00:00 AM

LAHORE: The World Bank has pressed the government to immediately resolve the issue of land acquisition for the Dasu hydropower project (Stage-1) with a warning that further delay will not only increase its cost but also delay the addition of muchneeded cleaner and cheaper energy to the national grid.

Following the warning, the Executive Committee of the National Economic Council (Ecnec) has placed the issue on top of its agenda for its Oct 2 meeting, according to documents available with Dawn.

`Following our discussions on Aug 22, 2019, I appreciate your interventions in expediting the resolution of the land acquisition issues associated with the rates to be paid.

Unfortunately, since then, the process was further delayed causing a near standstill of all construction activities,` said WB Country Director Patchamuthu Illangovan in a recent letter to the PM`s adviser on finance.

`The continuing delays will result in additional cost to the government and prevent the addition of much-needed cleaner and cheaper energy for the betterment of the economy. I understand that the federal agencies and the government of Khyber Pakhtunkhwa are near to finalising the necessary legal instrument for the enhanced land compensation levels. We sincerely hope that this would be placed before the Ecnec as a priority and the problem resolved fully and finally,` said the letter.

The DHP-I has been f acing a holdback for four years due to issues in acquisition of land for the project infrastructure. Though all contractors for the construction of the project have been mobilised and are on site, the progress is practically at a standstill due to the unavailability of land. Since 10,000 acres of land are required for the project, only 700 acres of the 2,700 acres needed for inf r astructure f ootprint have been acquired so f ar. The land acquisition for the project is being carried out using the guidelines of KP`s Land Acquisition Act, except for determining land and property rates given the special condidons in the area, absence ofland markets, and that similar projects (such as Diamer-Bhasha, Kyal Khawar, etc) are carried out by the federal government using negotiated rates.

Due to these reasons, rates for various categories of land were initially approved by the Ministry of Water and Power (the relevant ministry at that time) and the Ministry of Finance, as required, according to the legal agreements for the project between the WB and the government of Pakistan. The rates werenotifiedafter approvalbyEcneconNov 14, 2015. Section 4 for land acquisition for the project area was issued in 2013 and 2014.

However, given Kohistan`s unique situation (the lack of records and the security situation), the preparation of land records has taken a long time. Since 2015 people in the area have constructed structures and developed land by making terraces, etc. In addition, people demanded revision of land rates as the rates determined in 2015 were not revised according to inflation.

The district administration and KP government expressed their inability to deal with this extraordinary situation that could not be addressed under normal conditions and prevalent laws, and brought the issue to the project steering committee (PSC) headed by the minister of water resources and KP chief minister in November 2018.

The PSC held three meetings on this matter, and in March 5, 2019, decided that buildings and land developed after issuance of Section 4 in 2013 and 2014 will be recognised with an increase of 40 per cent in the land rates across the board and allcategories of land will be accepted. And the PSC would seek approval of this change of rates and recognition of property and land development from the finance ministry as required under the project agreement and as needed from Ecnec quickly.

The Ecnec meeting held on July 15, 2019 approved the recommendation of the PSC and attached a condition that the sponsoring agency (water resources ministry) will seek opinion from the ministry of law and justice division of the federal government regarding revision of cost of land and built-up property after imposition of Section 4 of Land Acquisition Act (LAA) 1894 within a week and submit a report thereof to Ecnec. The current situation is outside the LAA 1894 and regulations for land acquisition given the unprecedented situation in the project area. This resulted in the original decision being made by the PSC and subsequently approved by Ecnec in November 2015.

https://epaper.dawn.com/DetailImage.php?StoryImage=28_09_2019_003_006

WB TO HELP IMPROVE CAPACITY OF SSWMB

By Habib Khan Ghori | 9/28/2019 12:00:00 AM

KARACHI: The World Bank has agreed to work together with the Sindh government for making the Sindh Solid Waste Management Board (SSWMB) more effective and introduce changes in cropping patterns to improve rural economy.

This agreement was reached here on Friday during a meeting between Chief Minister Syed Murad Ali Shah and World Bank country director Patchamuthu Illangovan here at CM House which was also attended by chairperson of planning and development (P&D) Naheed Shah.

The chief minister said that SSWMB needed capacity building so that it could work scientifically.

The WB country chief said that he would send solid waste management experts to the Sindh government and through P&D a detailed plan would be worked out to improve capacity of the body so that not only its efficiency in solid waste disposal and management could be improved, but it must become a self-sufficient organisation.

It was agreed that SSWMB`s capacity building would be increased in such a way that it could work all over Sindh in different phases.

In the first phase it would start work in divisional head-quarters and then in district headquarters.

Cropping patterns `Our growers are engaged in traditional crops of high deltaic and low yield. I want to introduce major changes in cropping patterns in which low deltaic crops can be grown with high yield,` he said and added this would improve rural economy.

`A separate cropping system should also be developed for small growers. We have to improve their income by switching them over to orchards-cumcash crops,` Mr Shah added.

Mr Illangovan said that he would bring global agricultural experts here with him and would have their meeting with the agriculture department and P&D experts.

The chief minister also said that the provincial government was working in mother and child health and nutrition programmes in different districts, including Thar. This programme has produced some good results.

Funds for NICVD The chief minister while presiding over a meeting of the National Institute of Cardiovascular Diseases board here at CM House said that his government would meet financial requirements of NICVD and its eight satellites because it was delivering `bestservice` in the region.

They meeting participants were informed that during 2019, up to August 31, the NICVD Karachi by Aug 2019 performed 6,385 angiographies and 2,399 heart surgeries while it provided treatment to 779,311 patients.

The NICVD has established eight satellite centres all over Sindh which are located in Larkana, Tando Mohammad Khan, Hyderabad, Sehwan, Sukkur, Nawabshah, Mithi and Khairpur.

Earlier the NICVD director told the chief minister that they needed funds of around Rs5 billion immediately so that the expenditures of free of cost patients could be met.

The chief minister directed secretary of finance Hassan Naqvi to sit with the NICVD executive director to meet the financial requirement as the facility was delivering `best service` in the province and it must be strengthened in all aspects.

State land for graveyards The Sindh government on Friday decided to allocate state land for graveyards in Karachi as existing graveyards of the metropolis had already been filled. This decision was taken here in a meeting which was chaired by Chief Secretary Syed Mumtaz Ali Shah.

The meeting was informed by the commissioner that no more space was left for burials ingraveyards of Karachi and there was an immediate need of new graveyards in all six districts of the city.

The metropolitan commissioner informed the meeting that there were 203 graveyards under the administration of the KMC in the city.

Out of 203 there are 184 graveyards of Muslims, 12 Christian graveyards, Eve graveyards of Hindus and one each for Jews and Parsis.

The KMC is also developing three new graveyards in the city at Surjani Sector 16, Link Road N5 on the Superhighway and at Tehsar, Gadap Town.

`Graveyards in Karachi are out of space and there is an immediate need of new graveyards in all six districts of the city,` said the commissioner and added that there was a dire need of allocating more land for graveyards not only for Muslims but also for minorities in the city.

He directed the member Board of Revenue to reserve from the available state land 300 acres in Gadap, 200 acres in Bin Qasim and five acres in Korangi for graveyards and a summary in this regard will also be moved in Sindh cabinet for approval.

The chief secretary also directed commissioner of Karachi and all deputy commissioners to indentify more available state land for graveyards in districts West and East of Karachi.

https://epaper.dawn.com/DetailImage.php?StoryImage=28_09_2019_116_005

OCTOBER 2019

NEWS COVERAGE PERIOD FROM SEP 30 TO OCT 6th TO

PAKISTAN WILL NOT RETURN TO IMF AGAIN: SBP CHIEF

By Salman Siddiqui Published: October 1, 2019

KARACHI: The State Bank of Pakistan (SBP) governor is quite hopeful that the latest International Monetary Fund (IMF) loan programme will be the last one and Pakistan will not need to go back to the lender in future.

The recent structural reforms implemented under commitments made with the IMF had started providing much-needed support to the economy to enable it to stand on its own feet, he said.

“The goal is to have… foreign exchange reserves that are sufficiently high and with that we will not go back to the IMF for another programme,” Reza Baqir said at a lecture on “Pakistan Economy: Macroeconomic Challenges and Outlook” at IBA University of Karachi on Monday.

Talking about the economic outlook, he questioned whether “this will be the last IMF programme” and explained, “how Pakistan should not go back to the IMF after this programme.” Baqir said maintaining high reserves remained the most crucial challenge to the economy to get rid of the IMF in the future. The reforms introduced to determine the rupee-dollar exchange rate would help in maintaining the reserves at an optimal level, he added.

“Yes, we entrenched a market-based exchange rate system, which means the rate will be determined by the supply and demand (of dollars in the market)… which is perhaps one of the key institutional changes that have happened in the reform process,” he said.

Earlier, the central bank had control over the rupee-dollar exchange rate. It used to fix the rate but the practice caused depletion in the country’s foreign currency reserves almost every time after Islamabad completed the IMF loan programme since 1995. This forced Pakistan to return to the Fund time and again, he said. The central bank still has the option to intervene in the market to control exchange rate in case it finds market participants are involved in manipulating the market-based exchange rate.

He said the massive rupee devaluation of around 52% since December 2017 to Rs160.05 to the US dollar on June 30, 2019, had started reviving exports, mainly in volumetric terms. “The competition authority in the country needs to play its role to encourage local firms to become competitive at the global level in order to further increase the exports,” he said.

The demand and supply-based rupee-dollar exchange system have also helped in improving foreign currency reserves and helped the rupee recover 2.43% to Rs156.17 on Friday (September 27) compared to Rs160.05 on June 30.

The new system, among other measures, also caused a meaningful reduction in the current account deficit to around $650 million a month in the first two months (July-August) of the current fiscal year 2019-20 compared to $2 billion a month in FY18 and around $1 billion a month in FY19.

The end of volatility and return of stability to the exchange rate also invited renewed portfolio investment in debt and stock markets in the first two months of FY20, the SBP governor noted. The significant adjustment in the rupee against the dollar in the past two years, however, caused high inflation in the economy. The situation prompted the monetary policy committee of the central bank to increase the key interest rate to counter inflationary pressure.

The SBP committee increased the policy rate by 7.5% in a series of monetary policy statements since January 2018 to an eight-year high at 13.25%.

Baqir highlighted three key elements for running the economy independently, going forward. He talked extensively about having sufficiently high foreign currency reserves among the three to permanently quit the IMF.

“Whether this programme will be different from others is to answer the question of whether the reserves’ accumulation…will be the one that remains firmer,” he said.

The two other elements to avoid the IMF included maintaining the “fiscal discipline” through zero government borrowing from the central bank and raising domestic saving and investment rates. Government borrowing from the central bank causes inflation. The latest 39-month-long IMF loan programme formally started in July, when the lender released the first tranche of $991.4 million (SDR 716 million) of the total loan programme of $6 billion.

Baqir, who resigned from the IMF and joined the State Bank in May, once again reiterated that the country opted for the best available option by going back to the IMF in the recent past with the objective of improving its capacity to make international payments mainly in two areas – imports and debt repayment.

There is also a great need to increase the number of tax return filers and increase revenue collection.

https://tribune.com.pk/story/2069134/2-pakistan-will-not-return-imf-sbp-chief/

MISSING IMF REVENUE TARGET MAY LEAD TO MINI-BUDGET: PBIF CHIEF

RECORDER REPORT OCT 5TH, 2019

KARACHI: Pakistan Businessmen and Intellectuals Forum (PBIF) President+ Mian Zahid Hussain has expressed fear that despite best efforts the government has missed quarterly revenue target set by the IMF, which may lead to a mini-budget. The revenue target of Rs1,071 billion has been missed by Rs116 billion despite the imposition of new taxes worth Rs735 billion and holding back refunds, he added.

Mian Zahid Hussain said that the government abolished zero-rating and took heavy advance from different companies but to no avail. He said that the tax collected during the last three months was 13.5 percent of Rs123 billion higher as compared to last year but were less than target which may push the government to cut developmental expenditure. He noted that turning down summary of Ogra to cut oil prices and extension in the last date of filing returns are steps aimed at increasing revenue.

The IMF has also given a target of Rs75 billion refunds which was missed by Rs45 billions pushing many exporters in a liquidity crunch which is to hurt exports.

He said that the tax target is not realistic which should be revised otherwise the tensions between the government and the business community would escalate.

Discouraging exports has reduced deficit but it has also reduced revenue which the reservations of the business community on tax measures have also deteriorated the situation.

He said that the government has failed to provide energy on economic rates to the export industry despite promises while the real estate and retail sector are shrinking and the double-digit discount rate continues to hit the economy.

https://fp.brecorder.com/2019/10/20191005523816/

NEWS COVERAGE PERIOD FROM OCTOBER 7th TO 13th

ADB’S TAKE ON POURING CASH INTO VOCATIONAL EDUCATION IN PAKISTAN

By APP Published: October 8, 2019

LAHORE: The Asian Development Bank (ADB) is assisting Pakistan in addressing several issues but investment in technical and vocational education must be backed by institutional improvement, said Asian Development Bank (ADB) mission head Herman Sonneveld.

Leading a study mission from Manila to the Lahore Chamber of Commerce and Industry (LCCI), he held discussions with LCCI office-bearers on matters pertaining to economic development in Pakistan, business climate, vocational training, and industry-academia linkages.

Sonneveld, also an expert in vocational education and training, said training and skill development systems in developing member countries of the ADB needed to be fully equipped to produce human resources with competencies that were aligned to the needs of the labour market.

Speaking on the occasion, LCCI President Irfan Iqbal Sheikh appreciated the ADB’s role in the economic development of Pakistan, particularly through an upgrade of the country’s power infrastructure.

Referring to the workforce, he said they were yet to take steps to improve their skill set. “It is imperative that curricula of skill development institutions are modified and reformed to make the curricula more demand-driven, with special focus on skill competitiveness and employability of graduates,” he said.

“This can be done through knowledge partnerships with high-quality private-sector employers and international training providers.” He said, “there is a wide difference between the modern world and our part of the world in terms of economic growth, technological development, facilities and opportunities available to the masses.”

One of the most critical differences was the low level of literacy, which could be narrowed down further to low levels of skills, proficiency, productivity, and employability, he remarked. Highlighting the importance of human capital enhancement, the LCCI chief said it was the key to achieving growth. “The provision of necessary skills is critical for addressing the human capital challenge.”

He stated that the identification of district-wise thrust areas for skill training was important and similarly, the identification of industry-wise skill set required for training was imperative.

“Approximately two-thirds of Punjab’s population today is below the age of 30, they can become a key factor in achieving a better growth rate if they are provided the right skills,” he added.

Sheikh warned that failure to provide the required skills, in line with the needs of the modern era, could cause an increase in unemployment and may lead to disguised unemployment or underpaid employment.

Also speaking on the occasion, LCCI Senior Vice President Ali Hussam Asghar said the challenge was not just creating job opportunities but also producing well-trained manpower with basic to advanced level technical and vocational training.

LCCI Vice President Mian Zahid Jawaid Ahmad said it was important to make good use of abundant manpower available in the country. “They can become an effective source of foreign remittances if they are placed in different countries after the provision of state-of-the-art training,” he added.

According to the World Bank’s latest Migration and Development Brief 2018, the top remittance recipients were India with $79 billion, followed by China ($67 billion), Mexico ($36 billion), the Philippines ($34 billion) and Egypt ($29 billion). Pakistan’s remittances have been stagnant around $20 billion.

https://tribune.com.pk/story/2074372/2-adbs-take-pouring-cash-vocational-education-pakistan/

PAKISTAN YET TO RECEIVE FOREIGN AID WORTH $21.6B

By Shahbaz Rana Published: October 9, 2019

ISLAMABAD: A staggering $21.6 billion worth of foreign economic assistance has remained undisbursed due to the long completion period of projects and also because of systemic inefficiencies that have put an extra burden on Pakistan in the shape of commitment charges on idle money.

Out of the $21.6 billion, there was $3.9 billion worth of foreign grants that the international donors committed to giving to Pakistan but remained undisbursed due to multiple reasons, showed official statistics of the Ministry of Economic Affairs.

The remaining $17.7 billion were relatively cheap loans that Pakistan contracted at 1.25% to around a 3% interest rate.

Pakistan can swiftly mobilize at least one-fourth of the undisbursed money by simplifying its approval processes, removing bureaucratic hurdles and fast-tracking the contract award process, according to sources in the multilateral lending agencies and the Ministry of Economic Affairs.

Official data of the economic affairs ministry showed that the undisbursed balance of foreign loans and grants stood at $21.6 billion as of June 2019. There was a reduction of $2 billion or 8.6% as compared to the preceding year when the amount stood at $23.6 billion.

These loans and grants remain undisbursed at a time when the government and the State Bank of Pakistan (SBP) have embarked on a risky path of building foreign currency reserves by taking expensive loans. Contract agreements for the $21.6 billion worth of loans and grants have already been signed with the international lenders and donors.

Finding it an easy solution to deep-rooted problems, the last Pakistan Muslim League-Nawaz (PML-N) government had also embarked on the dangerous path of taking conventional and unconventional loans to prop up official foreign currency reserves and meet its external requirement.

The SBP has also adopted a risky path of attracting hot foreign money by keeping interest rates higher than the level needed to contain inflation. The Ministry of Finance is also in the process of hiring financial advisers to raise billions of dollars in the current fiscal year by floating Eurobonds and Sukuk.

Some of these loans have not been disbursed due to a long gestation period of different projects. For instance, $3.4 billion was outstanding against the Karachi nuclear power projects, which took a long time for completion.

However, billions of dollars committed by the World Bank and the Asian Development Bank (ADB) remained stuck due to public-sector inefficiencies.

Usually, the planned project completion period is three to four years except for hydel and nuclear power projects but government agencies take about seven to eight years.

Another reason for the slow foreign loan disbursement is the lack of availability of local rupee component due to the larger-than-required size of the Public Sector Development Programme (PSDP).

Executing agencies like the Ministry of Power, National Highway Authority, Water Resources Division, Water and Power Development Authority and provincial departments could be blamed for the delay in disbursement of most of these loans.

At the end of June 2019, the outstanding development project portfolio with all creditors and donors stood at $50.8 billion, according to the Ministry of Economic Affairs. Of that, multilateral and bilateral lenders disbursed $29.2 billion over the past many years, leaving a balance of $21.6 billion, showed the documents.

Out of the $21.6 billion, three lenders – the World Bank, Asian Development Bank, and China – did not disburse $14.4 billion, which was equal to two-thirds of the undisbursed balance.

China’s outstanding commitments to Pakistan stood at $5.4 billion – or one-fourth of the total outstanding commitments. In the last fiscal year, China disbursed $2.2 billion for various CPEC and non-CPEC projects.

The ADB released only $532 million against the outstanding commitment of $5 billion. After contracting new loans, the remaining ADB balance stood at $4.8 billion or 22% of the total outstanding undisbursed amount.

Over one-dozen ADB-funded projects are facing delay. Troubled projects included a power transmission enhancement project, Sindh Cities Improvement project, Jamshoro Power Generation project, Public Sector Enterprises Reforms project, Second Power Distribution Enhancement project, Punjab Intermediate Cities Improvement project and Jalalpur Irrigation project.

The World Bank disbursed $653 million against the total commitment of $3.9 billion. After signing new contracts, the total outstanding undisbursed amount stood at $4.23 billion – or one-fifth of the undisbursed amount.

A majority of the World Bank-related funds could not be released due to a long gestation period of different projects. However, there were also some problematic projects like the Tarbela Fourth Extension Project, Dasu hydroelectric power project, the Balochistan Integration Water project, the National Social Protection project, the Sindh Enhancing Response project, Pakistan Financial Inclusion project, etc.

Owing to low exports, high imports and repayments of maturing foreign debt, Pakistan's reliance on external loans has increased phenomenally over the past 10 years. It has borrowed expensive commercial loans at interest rates of over 5% and floated bonds at interest rates ranging from 6.5% to 8.25%.

However, the borrowing cost of $21.6 billion is in the range of 1.25% to 3% and loans will be returned in 19 to 30 years. This significantly reduces the risk of rollover and refinancing. But disbursements require progress on the development schemes.

Most of the multilateral lenders imposed commitment charges on Pakistan for not utilising the outstanding balance, which puts an extra burden on the exchequer.

https://tribune.com.pk/story/2075209/2-pakistan-yet-receive-foreign-aid-worth-21-6b/

ADB LENDING TO DOUBLE THIS YEAR

Khaleeq Kiani October 10, 2019

ISLAMABAD: The Asian Development Bank (ADB) will provide $2.5 billion financing to Pakistan during the current fiscal year — higher by almost 131 per cent over last year's $1.08bn.

The Manila-based lending agency announced through its Twitter account on Wednesday that besides providing $2.5bn approved financing to Pakistan in 2019, the recently approved Country Operations Business Plan (COBP) 2020-22 will increase average lending to $2.4bn a year – a record 71pc rise over the $1.4bn average from 2015-2018.

In addition, ADB will leverage its lending through the mobilisation of co-financing and funding from other sources, including regional concessional resources. "The new COBP will support Pakistan's development goals and complement efforts by other development partners," ADB said.

It said the Pakistani government worked with ADB to strengthen the country's key infrastructure, boost social and environmental safeguards, and promote information sharing with other countries.

As such, the ADB's COBP (2019-22) for Pakistan is aligned with its Country Partnership Strategy (CPS) 2015-19, Strategy 2030 and "Pakistan Vision 2025".

Sectors supported include irrigation and water resource management, education, health, energy reforms, trade, competitiveness and financial sector development, transport sector development and urban and cities

According to the ADB, it has provided a total of $6.4bn to Pakistan over the last four years, starting with $1.42bn in 2015 followed by $1.79bn in 2016. This was raised to $2.13bn in 2017 before scaling it down to $1.079bn in 2018.

In contrast, the total ADB funding to country over the next four years is put at $9.023bn. This would precisely include $2.491bn in the current year and $2.48bn in 2020, before climbing down to $2.03bn in 2021 and then finally to $2.59bn in 2020.

In the energy sector, ADB has allocated about $2.245bn loan financing, accounting for 30pc of the total pipeline for 2019–2021. It includes a multi-tranche financing facility for Transmission Streng-thening (tranche 1) for National Transmission and Despatch Com-pany (NTDC), Hydropower Devel-opment Project for Water and Power Development Authority (Wapda) and support for the Turkmenistan-Afghanistan-Pakistan-India Gas Pipeline Project.

Another $1.394bn loan facility has been set for transport sector, about 18.5pc of the total pipeline. This includes the Sustainable National Highway and the Sindh Hyderabad Southern Bypass. ADB has also proposed support for the revitalisation of Pakistan Railways to improve transport sector sustainability, including exploring non-conventional financing arrangements.

An allocation of $794 million or 10.6pc of the pipeline is set for agriculture, natural resources, and rural development. The pipeline includes the Greater Thal Canal Irrigation Project, the Kurram Tangi Water Resources Project, and the Smaller Cholistan Water Resources Development Project.

About $479m (about 6pc) have been allocated to water and other urban infrastructure services. The pipeline includes a cross-sector project readiness facility for Punjab as well as Punjab Cities Improvement Project.

The ADB has also allocated $2.4bn in loan financing to finance and public sector management that comes out at 32pc of the total pipeline. The COBP (20192021) includes new schemes in the Trade and Competitiveness Programme, phase-1 in 2019, Financial Markets Development in 2020, Infrastructure Financing and Public Private Partnerships in 2021 besides the second phase of Support for the Benazir Income Support Programme in 2020.

Moreover, $225m would also be available to education and health. ADB's reengagement in the two sectors include $175m for projects on secondary education in Sindh and improving workforce readiness and skills development in Punjab and $50m to improve the quality of healthcare services in Khyber Pakhtunkhwa.

https://www.dawn.com/news/1510042/adb-lending-to-double-this-year

WB TO PAY $10M FOR LANDFILL SITE TO BE SPREAD OVER 500 ACRES

Staff Reporter October 10, 2019

KARACHI: The World Bank has agreed to allocate $10 million for capacity building, technical expertise and construction of a new landfill site over an area of 500 acres on the outskirts of the city for the Sindh Solid Waste Management Board (SSWMB).

This agreement came to the fore during a meeting held here on Wednesday at the CM House between Chief Minister Syed Murad Ali Shah and an eight-member WB delegation led by Dr Sameh Naguib Wahba. The CM was assisted by P&D Chairperson Naheed Shah and others.

The CM said that SSWMB was a new organisation. As such there was a dire need to operate it on scientific lines with all necessary machinery and staff.

Responding to the chief minister’s brief, Dr Wahba said that there was a provision for solid waste management in the Karachi Neighbourhood Improvement Programme and agreed to allocate $10m for the landfill site.

City neighbourhood improvement programme also discussed with WB team

During the meeting the WB team and the chief minister also discussed the Rs9,984m Sindh Resilience Project under which irrigation works, including six smalls dams, would be constructed.

This project deals with flood protection, small recharge dams to address drought and flash-flooding risks and to provide technical assistance to the irrigation department. Work on dams at Konkar, Jungshahi, Sabusan and Sankar, Bansar/Rathi, Naig have been achieved by 77 per cent. These dams are located in Malir, Jamshoro, Thatta, Sujawal, Dadu, Matiari and Tharparkar districts.

The World Bank team said that with the construction of a dam in Malir, the water table had been improved tremendously from 400 feet to 100 feet after current rains. A similar effect of the recent rains would be in the Kohistan and Tharparkar areas. Under the SRP the other activities, which are being initiated include development of disaster management information system, establishment of provincial emergency operational system, establishment of mobile units, disaster/emergency communication system, heatwave resilience through urban forestation, agriculture hazards assessment, vulnerable assessment of industrial hazard disaster, school-based disaster risk management, early warning system and sea intrusion assessment.

Under the Karachi Neighbourhood Improvement Programme, its project director Dr Kazi Kabir briefed the World Bank team that development works around the Arts Council had been started where work on the drainage system was in progress and the road in front of the Arts Council had been constructed while work on the parking lot in front of National Museum was in progress.

The chief minister, presiding over another meeting regarding the ongoing garbage lifting drive in the city, directed the district administration of Karachi to expedite the cleanliness drive and submit their proposals for making it sustainable, otherwise the entire exercise would fail to make any impact.

The CM was told that from Sept 21 to Oct 8, 450,896.51 tonnes of garbage had been lifted by the deputy commissioners and the SSWMB.

When told that some of the roads which had developed craters and had overflowing gutters did not give a clean look despite lifting of garbage from the area, the chief minister directed the managing director of the Karachi Water and Sewerage Board to start improving the sewerage system. “First, you have to improve your sewerage lines and then I would start construction of roads there,” he said.

Mr Shah directed the local government minister to ask the KWSB to prepare a detailed overhauling plan of the sewerage system and submit it to him in the next meeting.

https://www.dawn.com/news/1509933/wb-to-pay-10m-for-landfill-site-to-be-spread-over-500-acres

IMF PROJECTION: GOVT GROSS DEBT TO RISE TO 78.6PC

TAHIR AMIN October 11, 2019

ISLAMABAD: The International Monetary Fund (IMF) has projected an increase in government gross debt by 1.9 percent to 78.6 percent of the Gross Domestic Product (GDP) in 2020 against 76.7 percent in 2019.

According to the IMF report “Fiscal Monitor, How to Mitigate Climate Change,” it is projected that the government gross debt would rise to 78.6 percent of the GDP in 2020 and decrease to 76.1 percent in 2021.

The Fund has projected an increase in government net debt by 2.7 percent — to 75.2 percent of GDP in 2020 against 72.5 percent in 2019. Earlier this year the net debt was projected to increase to 72.7 percent of the GDP in 2019 and 75.3 percent in 2020 against 67.2 percent in 2018.

According to the report, government revenue is projected to increase by 3.5 percent to 16.3 percent of the GDP in 2020 against 12.8 percent during the same period of 2019. However, the Fund had earlier projected that the government revenue would reach to 14.9 percent of GDP in 2019 and 14.8 percent by 2020 against 15.3 percent during the same period of 2018.

The government expenditure is projected to increase to 23.6 percent of GDP in 2020 as compared to 21.6 percent in 2019, and projected to decrease to 23.3 percent by 2021. The government expenditure was earlier projected to reach 22.2 percent of GDP in 2019 and 23.3 percent in 2020 compared to 21.8 percent in 2018.

The Fund projected Pakistan budget deficit at 7.4 percent for 2020 against 8.8 percent for 2019. The Fund earlier this year had projected budget deficit at 7.2 percent for 2019 and 8.7 percent for 2020.

According to the report, there would be gross financing need of about 45.6 percent of the GDP in 2019. The country’s debt to average maturity is estimated at 72.2 percent of GDP in 2019.

https://epaper.brecorder.com/2019/10/11/1-page/804919-news.html

NEWS COVERAGE PERIOD FROM OCTOBER 14th TO 20th

UAE ASSISTING OVER 100 MEGA PROJECTS WORTH $200M

October 14, 2019

ISLAMABAD: The United Arab Emirates-Pakistan Assistance Program (UAE-PAP) is working on more than 100 large scale projects in Khyber Pakhtunkhwa (KP) and Balochistan, said the top diplomat of United Arab Emirates in Islamabad, adding that the organization was primarily focusing on education and health care sectors during the third phase of its program.

“Last year in May, we signed a $200 million cooperation agreement to execute Phase III of the UAE-PAP. This was for more than 100 bigger projects in Balochistan and KP focusing on education and health care,” UAE Ambassador to Pakistan Hamad Obaid Ibrahim Salem Al-Zaabi said.

The UAE-PAP was launched in January 2011 with the objective of providing help and humanitarian assistance to the people of Pakistan and supports their development initiatives for a better future. The program’s third phase complements the previous two phases in which 165 development and humanitarian projects were completed at the cost of $365 million.

Al-Zaabi said one of the main projects of UAE-PAP was to eradicate polio in Pakistan, though there were also several others programs to improve the country’s water and agriculture sectors. He added that UAE’s charity institutes, such as Sheikh Muhammad bin Rashid, Sheikh Khalifa bin Zayed, and Sheikh Zayed bin Sultan foundations, were also managing several projects in Pakistan. “The Sheikh Muhammad bin Rashid Foundation has built many schools and hospitals in small villages of Muzaffarabad. They built hospitals, medical clinics, mobile clinics and schools in those areas where even vehicles cannot go,” he said in an interview with Arab News.

Al-Zaabi pointed out that Pakistan and the UAE had always maintained a strong diplomatic relationship. “I always call it classical relations between the UAE and Pakistan because the leaders of the two countries have the same vision of looking to the future.” The ambassador said his mandate required him to explore new areas where both countries could work together, identify investment opportunities for entrepreneurs in his country, and facilitate Pakistani business people who wanted to benefit from the UAE market.

The envoy added that special emphasis was also placed on improving visa facilities in Karachi and Islamabad to help Pakistani laborers who were looking for work in his country.

Al-Zaabi was awarded the “UAE Medal of Pride” for enhancing bilateral relations between Abu Dhabi and Islamabad by building new partnerships and broadening the scope of economic and trade cooperation in all areas of common interest between both the countries.

“We at the embassy believe in teamwork and this medal is not for me but it’s for my team at the embassy,” he said, adding: “Every other day we have a new initiative and idea to improve relations with Pakistan, enhance bilateral trade and also to facilitate Pakistani community in the UAE. I count myself not only as the UAE ambassador in Islamabad but also as Pakistan’s ambassador in Abu Dhabi.”—APP

https://epaper.brecorder.com/2019/10/14/12-page/805436-news.html

ADB TO LAUNCH ‘IMPROVING WORKFORCE DEVELOPMENT’ IN PUNJAB

By KHALID ABBAS SAIF on October 15, 2019

Asian Development Bank (ADB) is going to launch a project involving $ 110 million to train 10 million skilled workers in Punjab during next five years.

Spelling out the details of the proposed project of "Improving Workforce Development in Punjab" (IWDP), Norman LaRocque Principle Education Specialists/Mission Leader told that it will catalyze industry, agriculture as well as socio-economic development of the Punjab province. Addressing the local industrialists in Faisalabad Chamber of Commerce & industry (FCCI), he said that ADB will provide 100 million dollars from ordinary capital resources while Punjab government will contribute in kind assistance of 10 million Dollars. He further told that IWDP will strengthen technical and vocational training sector's ability to support economic growth and job creations in priority areas including export oriented sectors.

Norman told that no doubt Faisalabad is recognized for its iconic textile industry but it also has well established sectors of edible oil, chemicals, food, energy, foundry and many more. He said that despite of prevailing situation, the GDP of Faisalabad is expected to grow at much faster pace in coming years. "Investment in M3 and Allama Iqbal Industrial Estate has necessitated provision of fully skilled human resource instead of unskilled or semi skilled workers", he said and pointed out that there are only 3000 to 4000 technical and vocational training institutes which are insufficient to meet the growing demands of skilled workers. However, the proposed project will concentrate on the improvement of quality of skilled workers and in this connection the industrialists being real stakeholders are being consulted so that there viable suggestions and proposals could be incorporated in it.

He further said that this project is expected to be approved by next year but its midterm review will be conducted next month. He endorsed the proposal of setting up centre of excellence but added that Punjab government is competent authority to approve it.

Earlier in his address of welcome Zafar Iqbal Sarwar Senior Vice President FCCI introduced Faisalabad and FCCI and told that Faisalabad has become hub of industries and economic activities. "It has also privilege to contribute 58 percent towards textile export while its GDP is around 9 percent", he said and added that Pakistan is blessed with ample human resource of productive age which should be equipped with technical and vocational skills so that it could contribute its role in the overall economic growth of Pakistan.

He also mentioned China Pakistan Economic Corridor related projects and said that we must train highly skilled man power instead of producing half cooked semi skilled workers. He mentioned a long 'Chain' of textile and said that each sector has its own specific needs and requirements and workers must be trained for each sector to fulfill the needs of new hi-tech industry being established in Faisalabad. He also underlined the need of "right person for right job" and said that we must take measures to provide fully skilled workers for emerging industrial sector.

https://www.brecorder.com/2019/10/15/530929/adb-to-launch-improving-workforce-development-in-punjab/

HIGH DEBT LEVELS TO PERSIST UNTIL FY24, SAYS IMF

Khaleeq Kiani Updated October 17, 2019

WASHINGTON: The Inter-national Monetary Fund (IMF) on Wednesday projected Pakis-tan's primary deficit to turn positive one per cent of GDP in the FY21 from a negative 0.5pc in FY20 but said the country's debt levels are likely to remain elevated at above 65.4pc until FY24 despite continuous decline.

In one of its flagship publications released by IMF Director Fiscal Affairs Department Vitor Gaspar on the eve of annual meetings of the World Bank and the IMF, the fund noted that the government expenditure would generally remain stubborn above 22pc.

The Fiscal Monitor 2019 put the budget deficit at 8.8pc of the GDP in 2019 with projection for FY20 at 7.4pc as IMF-supported programme comes into force. The fiscal deficit is likely to go down to 5.4pc of GDP in FY21, followed by 3.9pc in FY22 and 2.8pc in FY23. It will then stay at 2.6pc of GDP in FY24, adds the report.

On the other hand, primary balance would be negative 0.5pc of GDP in FY20 and then turn surplus to the extent of 1pc of GDP in FY21. The primary balance would further improve to 2.1pc of GDP in FY22 followed by 2.7pc of GDP over the subsequent two years.

The revenue-to-GDP ratio, at 12.8pc, is expected to increase to 16.3pc of GDP during current fiscal year because of current year's taxation measures and further go up to 17.9pc in FY21. This ratio will increase to 19pc in FY22 and then remain unchanged at 19.6pc in FY23 and FY24.

The government expenditure will generally keep moving within a narrow band of 22-23pc of GDP all along until FY24.

The general government debt at 76.7pc of GDP in FY19 will further go up to 78.6pc in FY20 and come down to 76.1pc of GDP in FY21. The debt-to-GDP ratio will further reduce to 72.5pc in FY22 followed by 69pc in FY23 and 65.4pc in FY24.

IMF's Vitor said the fiscal policy is now at the center of economic policy debates globally because it was playing a central role in, for example, managing the synchronised slowdown; preparing for downside risks; contributing to financial stability; financing the Sustainable Development Goals (SDGs) and, finally, in addressing climate change—the topic of the Fiscal Monitor.

He advised that major economies should be prepared for coordinated action in case of a severe downturn. Moreover, inflation and its expectations are drifting below target and interest rates are negative, in many advanced economies.

Hence, the time is now for countries with budgetary room to use it to support aggregate demand.

In other economies, however, monetary policy is not constrained. Public debt and interest-to-tax ratios are high and rising. Therefore, the IMF advised policymakers to follow prudent fiscal policies, anchored by a medium-term framework. Otherwise, as has often happened in the past, complacency fueled by low interest rates may lead to over borrowing, followed by investors' panic and market disruption.

Sovereign bond yields are negative across the maturity spectrum in most advanced economies. We are now deep into zero or negative territory, he said. Further decreases in policy interest rates are limited. This contrasts with the situation just before the Global Financial Crisis.

In emerging markets and low-income developing countries, public debt ratios are high and rising. The cost of servicing debt is also increasing, unlike advanced economies, where low interest rates have compensated for high debt levels. Some countries are vulnerable to exchange and interest rate shocks.

In China, the largest emerging market economy, we expect the economic slowdown and fiscal stimulus to widen the deficit. We recommend that fiscal policy helps to dampen the negative impact on growth from trade disputes, and that it supports long-term re-balancing of the economy.

Fiscal policy has an important role to play in the development agendas of many countries to substantially increase spending to meet the SDGs by 2030, particularly low-income developing economies.

The spending needs to be framed in the context of a comprehensive growth and development strategy. Building tax capacity is necessary to enable a country to generate the extra revenue that underpins inclusive development. In addition, improving the efficiency of a country's spending is a crucial aspect of good governance. It is also necessary to ensure complementarities between public finance, private investment, and official development assistance.

On the efforts to address climate change, the report said that current pledges under the Paris Agreement are not enough. They will limit global warming to 3°C. This is well above the safe level. To limit global warming to 2°C or less — the level deemed safe by scientists — finance ministers need to take further substantial fiscal policy actions.

How much more? The simplest way to illustrate the point is to focus on a single instrument, such as carbon taxation. Each country would have to take measures that are as ambitious as a carbon tax rising to $75 per tonne by 2030.

The carbon tax would lead to higher prices for consumers. The goal is to reshape the tax system and fiscal policy more generally to discourage emissions. It is crucial that additional revenues from carbon taxation are used appropriately to reduce burdens and make the reform more politically acceptable.

https://www.dawn.com/news/1511303

PAKISTAN'S DEBT TO RISE TO OVER 78% OF GDP: IMF

By Shahbaz Rana Published: October 16, 2019

ISLAMABAD: A new report, issued by the International Monetary Fund (IMF) on Wednesday, has said Pakistan's public debt may surge this year to 78.6% of the total size of its economy, which is not only higher than the previous year but also in violation of an act of the parliament.

The Global Financial Stability Report further said the budget deficit -gap between expenditures and revenues, would remain at 7.4% of the Gross Domestic Product (GDP), which is also slightly higher than the official target set by the Ministry of Finance.

The higher budget deficit and public debt projections would mean that over 60% of the Federal Board of Revenue's (FBR) taxes would be consumed in servicing the debt, which grew at an alarming rate in the last fiscal year 2018-19.

Against 76.7% public debt in the last fiscal year, the public debt may surge to 78.6% of the GDP by end of current fiscal year 2019-20. The projected level of public debt was slightly higher than the target set by the Ministry of Finance at the time of the budget. The 78.6% public debt will be equal to Rs34.6 trillion.

According to the Fiscal Responsibility and Debt Limitation Act of 2005, the public debt has to be lower than 60% of the GDP or Rs26.4 trillion. This means, the public debt will be at least Rs8.2 trillion higher than the limit set in the FRDL Act.

The IMF debt projections are lower than the forecasts given by the World Bank (WB) in its latest report, South Asian Economic Focus Fall 2019. The WB has said the public debt-to-GDP ratio is expected to remain high at 82.9% of the GDP in this fiscal year.

The WB report noted that even in the next fiscal year, the public debt to GDP ratio would remain at 80.8%, increasing Pakistan's exposure to debt-related shocks. The key reasons behind growing public debt were low revenues, higher debt and defence spending and currency devaluation.

The Global Financial Stability Report projected the budget deficit at 7.4% of the GDP, which is 0.2% higher than the Ministry of Finance target. But the IMF report showed that the government will achieve its target of primary deficit reduction – total expenditures minus interest payments.

The report has shown the primary deficit at 0.5% of the GDP at the end of this fiscal year.

However, independent economists say Pakistan cannot achieve the primary deficit target, which in one year has to be brought down from 3.4% of the GDP to 0.6% of the GDP. They said it has never happened in the history of Pakistan that the primary deficit is reduced by 2.8% of the GDP in a single year.

The new report has projected the general government revenues at 16.3% of the GDP for this fiscal year, which are higher by 3.5% of the GDP or Rs1.6 trillion over the last year.

At a time when the economic growth rate was sinking every year it will be difficult task to collect that much additional amount in tax and non-tax revenues in a single year.

But on last Saturday, Adviser to PM on Finance Dr Abdul Hafeez Shaikh sounded upbeat and said the government would achieve its overall fiscal targets on back of significant increase in non-tax revenues.

Against the budgeted target of Rs1.2 trillion, Shaikh hoped to collect Rs1.6 trillion in non-tax revenues in this fiscal year. The federal budget deficit that had been recorded at Rs738 billion or 1.9% of GDP in the first quarter of the last fiscal year, was brought down to Rs476 billion or 1.1% of GDP, said Shaikh.

One of the challenging tasks for the government is to collect Rs5.5 trillion in the FBR's revenues that require 44% growth rate. And in private conversations, no government officials seems confident enough to claim that the government will be able to collect Rs5.5 trillion tax collection target.

During the first quarter, the FBR pooled Rs958 billion with an annual growth rate of 15% despite blocking exporters' refunds and taking advances from the large firms.

The FBR also faces resistance from the traders' associations that have so far refused to comply with the tax laws. The traders on Wednesday gave two-day shutter down strike call for October 29 and 30.

The All Pakistan Anjman-e-Tajran President Ajmal Baloch urged the IMF team to meet with the representatives of the traders.

https://tribune.com.pk/story/2081024/2-pakistans-debt-rise-78-gdp-imf/

220KV NAWABSHAH SUBSTATION RS4.489BN FINANCING MAY BE ARRANGED FROM ADB

TANVEER AHMED OCTOBER 20, 2019

KARACHI: Federal government is likely to arrange Rs 4.489 billion foreign financing from Asian Development Bank (ADB) for 220kV Nawabshah Substation.

The total cost of the project has been estimated at Rs 6.291 billion. Government would finance Rs 1.801 billion from its own resources whereas the foreign exchange component (FEC) of the project has been put at Rs 4.489 billion.

According to official documents of the project, the foreign financing for the project has been proposed to be received from ADB under Multi Tranche Financing Facility-III (MTFF-III).

The main objective of the project is construction of Nawabshah Grid Station at 220kV level along with associated transmission lines to meet with the additional load demand & voltage profile improvement of Hyderabad Electric Supply Company (HESC) area.

Execution of the proposed project will result in improvement of voltage profile at/around the proposed Nawabshah substation and reduction in transmission system losses as well as reduction in the loading of 500/220kV and 220/132kV transformers at Dadu and 220kV Mirpurkhas grid stations.

Also, it reduces loading of 220kV D/C transmission line from Hala Road to Jamshoro grid station and improvement in reliability of NTDC and HESCO system networks.

About the project objectives, documents indicted that the transmission system of the country is overloaded and not capable to cope with the increasing power demand. In near future thousands of megawatts addition in the system would result in frequent tripping and heavy breakdowns. Resultantly, enhancement in transmission and transformation capacity of NTDC system is required.

The power sector aim is to provide reliable, uninterrupted power to its consumers. ‘Keeping in view the present loading position and increasing trend of the power demand in near future, immediate requirement has been established to enhance the capacity of the existing grid stations by addition, upgrade and augmentation of 132kV, 220kV and 500kV transformers.

Documents showed that the proposed project will lead to improve voltage profile, system reliability of network and reduction in the loading of power transformers. The proposed scheme will also result in overall power system efficiency and stability to deliver adequate and quality power to the consumers of HESCO / SEPCO area.

Government allocated Rs 200 million in Public Sector Development Programme (PSDP) for the current financial year for the project, which has been scheduled to be completed in four years.

https://epaper.brecorder.com/2019/10/20/3-page/806357-news.html

NEWS COVERAGE PERIOD FROM OCTOBER 21st TO 27th

IMF ASKS GOVT TO CARRY OUT LONG-DELAYED STRUCTURAL REFORMS

Khaleeq Kiani October 21, 2019

WASHINGTON: The International Monetary Fund (IMF) has asked Pakistan to address its longstanding issues through structural reforms and strengthening of institutions through legal framework to help economy be competitive.

The government was also advised to strengthen cooperation at the federal and provincial levels for greater fiscal and economic calibration, said IMF's Middle East and Central Asia Region Director Jihad Azour responding to a Dawn question at a news conference.

An important track for the country was "the structural reforms that will allow Pakistan economy to be more competitive by addressing some of the longstanding issues related to the weaknesses", he said.

Mr Azour did not directly respond to a question on the timing of the bond launch. He was asked if in his view the current zero-interest rate environment in the capital markets provided an opportunity to Pakistan to go for $3 billion to $4bn bonds, both Islamic and Eurobond.

He said Pakistan should "address some of the legacies of the past like, for example, in the energy sector and also strengthen institutions providing the right legal framework for the Central Bank for the power sector as well as other entities".

Mr Azour said the reform agenda currently in place in Pakistan, supported by the IMF programme, was the right recipe for the country to improve macroeconomic stability, address some of the imbalances that the country saw in the past few years, allow the economy to be more competitive, and improve its creditworthiness.

Mission to visit Islamabad by month end for first review, says Fund's director

He said an IMF mission would go to Islamabad by the end of the month for the first review. "So far, the progress that has been achieved goes in the right direction. It's too early to give a full assessment. We need to wait for the mission to go there and do due diligence work on the ground," he remarked.

"We have now a couple of months — three months almost since the beginning of the programme — it looks like things are moving in the right direction."

The IMF director said the reform journey under this programme had two important tracks. "One is Macro-stabilisation for which there are a number of steps taken by the central bank on financial and monetary side and also by finance ministry on the fiscal side. The other and more important is the Structural Reforms to allow economy to be more competitive."

Mr Azour said this reform agenda was important for Pakistan as this would help accelerate growth and provide the right framework for the private sector to operate.

Meanwhile, a Pakistani delegation led by Adviser to the Prime Minister on Finance Dr Hafeez Sheikh and State Bank Governor Dr Reza Baqir told investors and creditors that Pakistan reform agenda was bearing fruits.

Dr Sheikh told US-Pakistan Business Council that Pakistan's economy was on the right path to stabilisation and the US businesses should benefit from investment opportunities available in the country.

While talking to US-Pakistan Business Council (USPBC) members at a luncheon roundtable, the finance adviser highlighted Pakistan government's focus on improving the ease-of-doing-business and encouraged the US companies to expand their footprint in Pakistan.

The roundtable was attended by senior executives of the USPBC member-companies including S&P Global, PepsiCo, Motorola Solutions Inc, Citi, Google, ExxonMobil and others.

AIIB offers to increase funding Later, the finance adviser along with other members of the Pakistani delegation met Asian Infrastructure Investment Bank (AIIB) President Jin Liqun. They discussed the AIIB portfolio in Pakistan and potential areas of project financing by the bank.

Supporting Pakistan's development agenda, the AIIB president said the AIIB was ready to increase funding for the country's priority development sectors. He said investment in infrastructure projects had a long-term positive impact on growth. Dr Shaikh then invited the AIIB president to visit Pakistan that the latter accepted.

Dr Shaikh and his team also met Islamic Development Bank (IDB) President Dr Bandar M.H. Hajjar and briefed him on the country's economic situation. For providing IDB's technical and financial support to Pakistan, the finance adviser thanked Dr Hajjar who informed him that Pakistan had been identified as one of the first countries to be supported by the bank for strengthening market competitiveness in its core sectors. For this purpose, an IDB mission is likely to visit Pakistan soon.

Meanwhile, a delegation of International Finance Corporation, a sister organisation of the World Bank and member of World Bank Group as well as the largest global development institution focused on the private sector in developing countries, met the finance adviser and his team.

IFC vice president Nena Stoiljkovic and her delegation briefed Dr Shaikh about IFC's projects in Pakistan, particularly in the wind and solar sectors, and expressed interest in providing advisory services to the country for structuring public-private partnership transactions.

The Pakistan delegation also attended the annual plenary of the IMF and World Bank Group, which was addressed by WB President David Malpass and IMF Managing Director Kristalina Georgieva.

https://www.dawn.com/news/1512051

WORLD BANK PRESIDENT TO VISIT PAKISTAN BY MONTH END

By Shahbaz Rana Published: October 22, 2019

ISLAMABAD: World Bank President David Malpass will visit Pakistan by the end of current month to celebrate Islamabad's inclusion among top-20 global reformers and to launch a future strategy for bringing improvement in the current overall poor rating on the Ease of Doing Business Index.

The World Bank president and Prime Minister Imran Khan are expected to co-chair a meeting of the Steering Committee on Doing Business Reforms to approve the future strategy, said officials of the Board of Investment (BOI) in a background briefing.

The World Bank chief would arrive in Islamabad on October 31 to celebrate Pakistan's inclusion among top-20 global reformers on the Ease of Doing Business Index, they added.

The World Bank has listed Pakistan among the top-20 countries that introduced six reforms in the ease of doing business. The Washington-based lender and consultant will formally release its Ease of Doing Business Report on Thursday this week, which will reveal rankings of 190 nations.

Pakistan can easily implement two more reforms in the areas of getting credit and enforcing contracts. Laws had been passed by parliament but bureaucrats of the Ministry of Finance and State Bank of Pakistan were sitting on these laws and had not issued requisite rules and regulations, said the BOI officials.

In October last year, Pakistan had jumped up 11 places on the Ease of Doing Business Index and got 136th position – for the first time in 15 years – on the basis of reforms introduced in the last year of Pakistan Muslim League-Nawaz (PML-N) government.

Out of nine reforms, the World Bank has acknowledged six reforms this year, recognising Pakistan as the top reformer in South Asia. China, with eight reforms to its credit, is the overall champion this year. Saudi Arabia is another country that has also introduced significant reforms this year.

However, there was no direct co-relation between the number of reforms and the country's ranking, said the BOI officials.

This year, Pakistan improved in six areas which included starting a business, dealing with construction permits, getting electricity, registering property, paying taxes and trading across borders, said the World Bank.

Two out of the six reforms that the World Bank accepted this year were directly related to the work done by the last PML-N government. These were getting electricity and registering property.

The remaining four were the result of work done in the past one year by the governments of Pakistan Peoples Party (PPP) in Sindh and the Pakistan Tehreek-e-Insaf (PTI) in Punjab.

The World Bank carries out surveys in Lahore and Karachi to get feedback of the business community about reforms introduced in Pakistan.

The Ease of Doing Business Index is mostly used as a guide by foreign investors to learn more about a country, aiding decisions on pouring money into the economy.

The World Bank for the first time acknowledged that Pakistanis were getting largely uninterrupted power supplies. The improvement on account of registering property was because of computerised Punjab land record, an initiative of the government of former chief minister Shehbaz Sharif.

The BOI officials said they requested the Prime Minister's Office to arrange a meeting of the steering committee on October 31 for approving a three-year ease of doing business strategy.

The statutory steering committee is headed by PM Imran with the finance minister, investment adviser, Board of Investment (BOI) chairman, overseas Pakistanis adviser, Federal Board of Revenue chairman, Securities and Exchange Commission of Pakistan (SECP) chairman and the State Bank of Pakistan (SBP) governor as its members.

However, after assuming office, Imran Khan has not yet chaired even a single meeting of the steering committee. Similarly, the bureaucrats are also not doing their jobs efficiently, which has delayed implementation and acknowledgment of reforms in the areas of getting credit and enforcing contacts.

To fulfil the World Bank's requirement of reforms in these areas, Pakistan's parliament had approved the Secured Transactions Act in 2016 and the Credit Bureau Act in 2015. But the implementation of these laws had been pending due to the Ministry of Finance and the SBP, said the BOI officials.

The SBP delayed a decision about the ownership of movable assets registry due to involvement of $85 million grant given by the UK's Department for International Development. The UK had given money for financial inclusion in Pakistan – a project that is housed in SBP. Lately, it has been decided that the registry will be set up at the SECP. But the grant money has not been transferred to the SECP, said the officials.

Similarly, the Ministry of Finance has not yet approved the rules of the Secured Transactions Act 2016, said the BOI officials. The BOI officials said that these weak areas will be focused in next six months so that the World Bank may acknowledge the work in its next report.

https://tribune.com.pk/story/2084472/2-world-bank-president-visit-pakistan-month-end/

IMF REVIEW

By Editorial Published: October 22, 2019

First quarter review of Pakistan's implementation on the IMF programme is coming up – by the end of this month. Prior to the approaching review, the incumbent government's economic team, led by PM's adviser on finance Dr Hafeez Sheikh, held an "extensive session" in Washington over the weekend with Fund's Managing Director Kristalina Georgieva and other senior officials to give them an overview of the implementation of the bailout programme. As claimed by the PM's adviser, during the meeting, Georgieva recognised the "tough decisions" being made and implemented by Pakistan to stabilise the economy, and assured continued support to the reform process being carried out under the IMF programme.

While this assurance of continued IMF support, as claimed, is indeed welcome, the forthcoming assessment by the Fund is awaited in the country amid apprehensions of a mini-budget in view of the tax collection falling short by more than one hundred billion rupees in the first quarter of the ongoing fiscal year. As agreed with the global lender for the sake of the $6 billion loan facility, the government was to collect Rs1,071 billion in the first three months of FY2019-20, with the target for the full year being Rs5,550 billion. But the government could only manage Rs955 billion tax revenue in the July-September quarter which means a shortfall of Rs116 billion or nearly 10 per cent of the target.

Experts fear that government measures of make up for the shortfall and satisfy the IMF would force the masses into further belt tightening at a time when the prices of the items of daily use have already rocketed into the sky, the power and gas tariffs have undergone repeated increases, and petrol rates are unprecedentedly high. The government's plan to abolish 400 departments and carry out cost-cutting would be an equally painful alternative. One can only hope the masses emerge from the month of October unscathed.

https://tribune.com.pk/story/2084355/6-imf-review/

GOVERNMENT URGED TO REVISIT IMPLICATIONS OF IMF CONDITIONS

By RECORDER REPORT on October 23, 2019

The federal government should revisit the negative implications of IMF conditions which has pushed the country in serious turmoil. Pakistan Businessmen and Intellectuals Forum (PBIF) president Mian Zahid Hussain expressed these views and saying that the growth rate may slide below the projections of international institutions due to ongoing political turmoil which is set to increase.

He noted that the FATF issue has also emerged as a threat and is being taken lightly which can be disastrous for the country if satisfactory progress was not made until February 2020.

He said improved economic activities and any relief to masses is not possible unless fundamental changes are made in some policies including interest rate which has led to the economic slowdown.

The World Bank has estimated a growth rate of 2.4 percent for Pakistan in 2020 while is lower than all the regional countries as the growth rate if Afghanistan will be 3 percent, Sri Lanka 3.3 percent, Maldives 5.5 percent, Nepal 6.4 percent, India 6.9 percent while the GDP growth rate of Bangladesh and Bhutan will remain about seven percent.

He said our growth rate will hover around 3 percent in 2021 while the rest of the regional economies will grow further which means that there will be no relief for the masses and the business community.

Mian Zahid Hussain noted that economic activities are stagnating and inflation is increasing due to erosion in the exchange rate resulting in unemployment, unrest and agitation while march and sit-in by opposition will add to the miseries of masses and the businessmen.

The government and SBP is taking credit of reduced trade deficit which is at the cost of industry and jobs, he said, adding that millions have lost jobs while more are working on reduced wages as their pay cannot be increased during the uncertain times where survival has become a problem for the industrial sector.

The business community had met top officials time and again but what they got in return was only assurances, which has disappointed them.

https://www.brecorder.com/2019/10/23/536898/government-urged-to-revisit-implications-of-imf-conditions/

IMF’S FLAGSHIP ECONOMIC SURVEYS AND PAKISTAN

By DR OMER JAVED on October 25, 2019

Recently, two flagship surveys were released by the International Monetary Fund (IMF). Firstly, the World Economic Outlook (WEO) which usually appears in April and September/October. It presents IMF staff economists' analyses of global economic developments during the near and medium-term. WEO's October 2019 issue has pointed out that the downside risks to the global economy have increased, which meant above anything else that the forecast for growth in world output for 2019 and 2020 has been reduced from IMF's July 2019 WEO update by 0.2% and 0.1%, respectively, to 3% for 2019 and 3.4% for 2020.

The same sluggish trend is indicated for almost all regions, whereby a) for advanced economies overall, the growth projection reduces by 0.2% to a paltry 1.7% for 2019. Exactly same is the reduction for emerging markets and developing economies where growth projection for 2019 stood at only 3.9%, mainly at the back of weak outlook for the two main growth engines – China and India – both of which also see reduced growth projections for 2019 at 6.1% each; while a slowdown in Russia, Brazil and Mexico also added to this overall reduction in growth projection here.

While the slowdown occurred at the back of macroeconomic and financial sector issues in the emerging markets, yet specific contributing factors in this regard included: a) sharp reduction in the sales and production of cars, mainly driven by wait-and-see attitude by customers with regard to changing emission standards and technology; and b) built-up of trade tension between the US and China, and the loss of business confidence that it produced, especially in the manufacturing sector becoming more risk-averse in terms of not investing much in long-term business ventures.

The IMF clearly pointed out in its half yearly Report for October that the effects of rising protectionism globally had negatively impacted trade, and the global economy was at this weakest point since the Global Financial Crisis (GFC) of 2007-08. With regard to the role of central banks in battling protectionism, Gita Gopinath, IMF's chief economist, indicated that interest rates would have to be lowered, without which the growth prospects globally for 2019 and 2020 could fall by as much as 0.5%. In line with this thought process, European Central Bank (ECB) recently announced stimulus plans whereby interest rate cuts, and injections to the tune of US$22 billion into the financial markets have been planned.

Both the IMF and the ECB point towards diminishing capacity of central banks in supplying the needed stimulus. Not only is the US Federal Reserve injecting significant amounts of money into the financial markets recently, but the ECB has also asked governments in the eurozone to reduce taxes and boost public spending in an effort to reboot growth.

At the same time, while the Report surveys the global economy, there is a lack of fresh thinking to analyze the root causes that led to the GFC with the result that these causes have not been tackled properly as yet and also perhaps why heterodox policy in general has not received a significant hearing by authorities in both developed and developing countries. That is why perhaps the global economy is at its weakest position since GFC, as is the case according to the report. With regard to this approach of global policymaking, Mervyn King, former governor of the Bank of England, while lecturing at the IMF's annual meetings for this year said ‘another economic and financial crisis would be devastating to the legitimacy of a democratic market system… [and]… by sticking to the new orthodoxy of monetary policy and pretending that we have made the banking system safe, we are sleepwalking towards that crisis… [where]… following the Great Inflation, the Great Stability and the Great Recession, we have entered the Great Stagnation'.

The same thought process needs to penetrate the IMF programme and policy, otherwise by national authorities in Pakistan (and elsewhere), a country which looks to build confidence and capacity among exporters and domestic investors, to become competitive, as it helps to find new market access for them in an environment of weak world economic growth projections. It is true that Pakistan is not immune to the global situation; it is also true that the country is facing the daunting challenge of twin deficits. The report projects lower real GDP growth – from 3.3% in 2019 to 2.4% in 2020 – for Pakistan. This must constitute a cause for concern for the government because a lower growth will add to the challenge of employment generation, public expenditure and tax revenue targets.

Similarly, projections for consumer prices (annual averages) also see a sharp increase from 7.3% in 2019 to 13% in 2020. Narrowing of current account deficit is seen to be continuing from deficit at 4.6% of GDP in 2019, and reducing to 2.6% of GDP in 2020. Once again, sluggish growth prospects would mean, and as the report indicates, higher projections for unemployment rate)from 6.1% in 2019 to 6.2% in 2020), which points to the fact that the government will have to involve greater role of fiscal policy in controlling inflation (given monetary policy's tight stance has been overused with limited consequences in terms of sustainably reducing inflation), and enhancing growth prospects, and with it employment.

The other IMF flagship publication titled “Regional Economic Outlook (REO) Update for 2019" for all global regions. As usual, Pakistan was analyzed in REO report for the region of the Middle East, North Africa, Afghanistan, and Pakistan (MENAP). It identified possibility of tensions with India as one of the main geopolitical risks on the external front. It also identified Pakistan as a country where internally ‘social tensions are rising in the context of lower growth and reform fatigue, threatening macroeconomic stability'.

The report says that the ‘region [MENAP] is projected to remain relatively modest, constrained by persistent structural rigidities. Elevated public debt in many countries limits the fiscal space needed for critical social and infrastructure spending and leaves economies vulnerable to less favourable financial conditions. The outlook remains clouded by mounting global trade tensions and financial market uncertainty. Social tensions are rising in many countries as unemployment remains high and socioeconomic conditions worsen. Continued growth-friendly fiscal consolidation is needed to rebuild buffers and enhance resilience, along with intensified structural and governance reforms to improve competitiveness, boost private investment, and generate jobs. Increased regional integration will also help support medium-term growth'.

The main takeaways of the Report with regard to Pakistan include, firstly, regional aggregate growth was being pulled down by Pakistan, at the back of ‘large macroeconomic imbalances and ongoing policy adjustment challenges expected to slow Pakistan's growth from 5.2 percent in 2018 to 2.9 percent in 2019' which is lower, in turn, from the projections of WEO at 3.3%, indicated above. Secondly, the impact of a weaker external environment and global trade tensions have been seen in the report as reasons (among others) for a downward revision in growth projections of Pakistan; especially due to the exposure the country has in terms of large exports share to China, the US and the European Union.

Thirdly, the report associates possible downside risks to medium-term outlook for Pakistan, among other countries. According to it, ‘regional uncertainty (Afghanistan, Jordan, Lebanon, Somalia and Syria), security concerns, weaker-than-anticipated public investment, and large external imbalances (Lebanon, Pakistan and Sudan) are expected to weigh on the medium-term growth outlook'. Fourthly, it is also highlighted that Pakistan's reliance on remittances could also be negatively affected by the overall global downturn affecting elsewhere in the region, whereby ‘there is a downside risk of a slowdown in remittance-originating countries, most of which are in Europe or the Gulf Cooperation Council'.

With regard to enhancing social spending and fiscal consolidation in the case of Pakistan, the report suggested: a) replacing subsidies with targeted social transfers; b) restructuring of state-owned enterprises; c) elimination of distortionary exemptions; d) reducing the size of informal sector; e) broadening of the tax-base; and e) ‘taxing the richer segments of the population, such as by introducing property and wealth taxes'.

Note: A matter of clarification/correction with regard to this writer's last article appeared in these columns last week. Nepal (at 108th) in terms of Global Competitiveness Index (GCI) was the second worst performer not the ‘worst performers' in Asia in terms of competitiveness in the report.

(The writer holds PhD in Economics from the University of Barcelona; he previously worked at International Monetary Fund). He tweets @omerjaved7

https://www.brecorder.com/2019/10/25/537691/imfs-flagship-economic-surveys-and-pakistan/

GOVERNMENT TO SEEK NOD FROM IMF TO ISSUE RS 200 BILLION SUKUK

By MUSHTAQ GHUMMAN on October 26, 2019

The government is to seek International Monetary Fund's (IMF's) nod for issuance of fresh Sukuks worth Rs 200 billion meant to reduce the stock of historic circular debt, well-informed sources told Business Recorder.

IMF's Review Mission is expected to reach Islamabad on November 28, 2019 to evaluate implementation on targets agreed by the Government of Pakistan for $ 6 billion facility. On Friday, Ministry of Finance held a meeting with senior officials of concerned Ministries/ Organizations on the implementation of first and second quarter benchmarks of the IMF programme. The officials of Finance Ministry, Power Division, Federal Board of Revenue, Cabinet Division, Petroleum Division, Privatisation Division, etc., attended the meeting.

Minister for Power and Petroleum, Omar Ayub Khan last month stated that expensive power sector loans are being replaced with Sukuk which will lessen the financial impact on the economy. Pakistan's circular debt is about Rs 1.6 trillion, of which half the amount is parked on the books of PHPL which, according to the IMF, is a potential threat to Pakistan's macroeconomic performance.

The sources said Finance Ministry has to retire some loans to get fresh facility as per the understanding with the IMF. The government has also increased power tariff in accordance with the agreement with the Fund. Nepra accorded approval to increase in tariff a couple of days after the public hearing, in the best “national interest" as described by the incumbent Chairman Nepra.

“Power Division expects that new Sukuks will be issued sometime in December, 2019 – after the completion of the first IMF Review Mission," the sources added.

The issue of sovereign guarantee for fresh Sukuks of Rs 200 billion has been raised with the State Bank of Pakistan.

Meezan Bank Limited, Faysal Bank Limited, Bank Islami Pakistan Limited, Dubai Islamic Bank Pakistan, MCD Islamic Bank Limited and Al Baraka Bank Pakistan Limited are the mandated lead arrangers.

Power Division has completed all codal formalities including identification of properties to be pledged with the consortium of banks against the loans but the issue of guarantees is still unresolved.

The sources further stated that Finance Division has retired some sovereign guarantees of small amounts to ensure that power sector loans are availed as early as possible because the present level of sovereign guarantees is higher than agreed with the Fund. The actual stock of loans is available with the central bank.

Following several years decline in the flow of circular debt in the power sector, new arrears accumulated during FYs 2018 and 2019, reaching close to Rs 800 billion (around 2 per cent of GDP). Delays in adjusting tariffs, reversal of policies, such as revenue shedding- and the non-payment of implicit subsidies by the government have been the main contributors to the increase in arrears.

An official told this newspaper that Auditor General of Pakistan has conducted audit of Rs 200 billion loans recently acquired from Islamic banks and paid to the power sector entities to avoid any legal complication in future similar to the Rs 480 billion circular debt retired by the PML-N government in June 2013.

Under the Fiscal Responsibility and Debt Limitation Act of 2005, fresh guarantees should not exceed more than 2% of the national GDP in any fiscal year. Another insider said that the amount of interest of Rs 10 billion per annum against new loans will be passed on to consumers at the rate of Paisa 11 per unit in addition to existing Paisa 43 per unit, totaling Paisa 54 per unit.

Of the total Islamic loans of Rs 200 billion desired to be raised, payments will have to be made to PSO on account of payment for fuel supplies through Hub Power Company (Hubco), Kot Addu Power Company (Kapco) and Generation Companies (Gencos) in addition to payments for RLNG. Further, payment on account of energy to coal-fired power plants will be made. Payment for capacity to nuclear power plants and Wapda to discharge their balance liabilities towards NHP arrears of the province against Wapda's invoices to CPPA-G will be also made. Balance payments will be made to IPPs against their outstanding capacity payments.

Recently, Pakistan Energy Sukuk-I (PES-I) issue of Rs200 billion got listed on the Pakistan Stock Exchange (PSX). PES-I is the largest Shariah-compliant financial instrument ever listed on a stock exchange in Pakistan. These Sukuks were approved during last financial year.

https://www.brecorder.com/2019/10/26/538027/government-to-seek-nod-from-imf-to-issue-rs-200-billion-sukuk/

BRT RED LINE: RS 66.38 BILLION LOAN TO BE EXTENDED

By TANVEER AHMED on October 27, 2019

Asian Development Bank (ADB) and Asian Infrastructure Investment Bank (AIIB) along with two other foreign institutions would extend Rs 66.378 billion ($417.920 million) loan for construction of BRT Red Line, Karachi.

The government of Sindh will repay this loan for Red Line Project to four foreign financial institutions-ADB and AIIB along with French Agency for Development and Green Climate Fund, which would extend the finances to it.

Loan agreement for the project with ADB and AIIB has been signed recently, according to a source in Sindh government. The project has been approved at the total cost of Rs 78.384 billion.

The project aims at improving the urban transport system (UTS) of Karachi and provided technical and financial support to implement Bus Rapid Transit (BRT) corridors and strength institutional and organizations managing the urban transport sector.

For this project, ADB provided project development assistance to build upon the feasibility studies for priority BRT corridors undertaken by Japan International Cooperation Agency (JICA) for Red and other BRT lines.

Karachi BRT Red Line Project has been planned to contribute to develop a sustainable urban bus transport system in metropolis with less travel time and enhanced mobility and accessibility.

The project envisages construction of BRT dedicated corridor measuring 24.2km in length from Numaish to Malir Halt Depot and common corridor of 2.4km from Municipal Park to Merewether Tower along M A Jinnah Road. Out of this total 26.6km length of corridor, 22.45km is at grade section, 1.72 is elevated and 2.43km is underground section.

Estimated passengers per day would be 320,000. Rigid concrete pavement has been proposed throughout the corridor length. The construction work includes eight off-corridor routes including direct and feeder services and procurement of 199 buses comprising of three types 9m, 12m and 18m.

The total cost of Bus Rapid Transit (BRT) Red Line project in Karachi jumped first to Rs 77.597 billion and then it was approved at the cost of Rs 78.384 billion compared to the original cost of the project, which was estimated at Rs 65.589 billion.

It is worthy to note that Sindh Government didn't agree with Ministry of Planning, Development & Reforms (MoDP&R) to delete overhead charges for construction of Karachi BRT Redline Project, which would reduce the cost of the project by Rs 16 billion. MoDP&R had proposed that deletion of overhead charges on Karachi BRT Redline Project will bring down from Rs 78.384 billion to Rs 62.371 billion.

https://www.brecorder.com/2019/10/27/538349/brt-red-line-rs-6638-billion-loan-to-be-extended/

IMF SENDS MISSION TO PAKISTAN FOR PERFORMANCE REVIEW

By Shahbaz Rana Published: October 27, 2019

ISLAMABAD: Amid uncertain political situation, the International Monetary Fund (IMF) has dispatched a review mission to evaluate Islamabad’s performance on implementation of a bailout package, as Pakistan hopes to secure the next tranche of nearly $460 million.

The government’s position remains comfortable on six performance criteria regarding fiscal and monetary targets and two continuous performance criteria set for July-September 2019 period.

But it has not done well on indicative targets related to tax revenues and reduction in circular debt and structural benchmarks about notification of powers tariffs and trace and track licensing regime for tobacco sectors.

In essence, in the first quarter, the Pakistan Tehreek-e-Insaf (PTI) government did well on stabilisation targets but did not meet goals that required reforms in the system including putting the country on the sustainable fiscal path.

"Our headquarters in Washington DC has approved the dispatching of a review mission to Pakistan for the next two weeks," the IMF's Resident Representative Teresa Daban Sánchez said in response to a query. She said the IMF was "monitoring the situation on a regular basis".

The IMF talks are scheduled to take place to review Pakistan's performance for July-September quarterly targets. However, the talks have coincided with Jamiat Ulema-e-Islam's (JUI-F) decision to hold rallies against the government and a possible sit-in in Islamabad. The JUI-F is demanding Prime Minister Imran Khan's resignation.

Special Secretary of Ministry of Finance Omar Hamid also said the talks will be held from October 27 through November 7. In July this year, the Executive Board of the IMF approved 39-month Extended Fund Facility programme worth $6 billion. It already released the first tranche of $1 billion.

On successful completion of the first review talks and its subsequent approval by the Executive Board, the IMF will release the second tranche of 328 million Special Drawing Rights (SDR) or $460 million at the current value of the SDR basket.

The IMF mission will review Pakistan's performance against six performance criteria related to Net International Reserves (NIR), Net Domestic Assets (NDA), net foreign currency swap position, primary budget deficit target, net government borrowing from the central bank and stock of sovereign guarantees issued by the government.

Pakistan's position on the NIR target of negative $18.5 billion for the end of September remains comfortable as the IMF had set a very easy target. On the back of inflows from the IMF, the Asian Development Bank, and other creditors, the government is expected to achieve this target, said the sources.

In June, the NIR was negative by $17.74 billion. The NIR is calculated by excluding the short-term liabilities and payments from the gross official reserves of the SBP. The NDA target of Rs8.9 trillion is expected to be met as the government has kept the money supply under control.

According to the State Bank of Pakistan (SBP), against the target of $8.1 billion of net foreign currency swaps, it has brought its short-term exposure down to $6.8 billion.

Since June this year, the central bank has lowered its one-month swap exposure to $1.1 billion and over three months to one-year exposure has also been brought down to $3 billion, according to the central bank statistics.

The government was required to restrict the primary deficit – total expenditures minus interest payments, to Rs102 billion by the end of the first quarter.

This month, the secretary finance said that due to better performance of non-tax revenues and restrictions on the issuance of the supplementary grants, the primary balance was in surplus in the first quarter.

The government also met two other performance criteria related to fresh borrowings from the central bank and the issuance of sovereign guarantees.

The two continuous performance criteria are zero new borrowings from the central bank and zero accumulation of external public sector arrears. Pakistan has complied with both these conditions.

However, the economic managers could not meet the IMF conditions of collecting Rs1.071 trillion tax revenues by the Federal Board of Revenue (FBR), paying Rs75 billion sales tax refunds and restricting to addition in circular debt to only Rs23 billion.

The FBR missed its first-quarter tax collection target by Rs108 billion and issued only Rs30 billion tax refunds and the power division failed to restrict the addition in circular debt by only Rs23 billion.

The sources said that the government also could not meet the structural benchmark about issuing a license for the track and trace system for the tobacco sector due to delay in completing the bidding process.

It has also not notified the fiscal year 2019-20 tariff schedule as determined by the National Electric Power Regulatory Authority (Nepra).

The sources said there could be issues in explaining the IMF about the reasons behind missing the first quarter target and the prospects to achieve the second quarter (October-December) target of Rs1.295 trillion. The FBR has so far remained the weakest link in the government's economic stabilization plan.

The FBR is applying old tactics of blocking taxpayers' refunds and taking advances to inflate revenues and yet it is going to miss the second quarter target as well.

In a meeting of the National Assembly Standing Committee on Finance, PML-N MNA Ali Pervaiz said Rs962 billion first-quarter collection by the FBR was inclusive of Rs75 billion exporters' refunds. Nobody from the FBR including its chairman contested the PML-N leader's claim.

https://tribune.com.pk/story/2087987/2-imf-sends-mission-performance-review/

NEWS COVERAGE PERIOD FROM OCTOBER 28th TO NOV 03rd

IMF TEAM ARRIVES TO REVIEW PAKISTAN'S PERFORMANCE UNDER $6BN PACKAGE

Khaleeq Kiani Updated October 28, 2019

ISLAMABAD: A staff mission of the International Monetary Fund (IMF) has arrived in Islamabad to conduct the first quarterly review of Pakistan's performance under its $6bn Extended Fund Facility (EFF) finalised in May this year.

The successful completion of the first review would enable Islamabad to draw about $453 million from the Fund in first part of December this year, taking the total amount to almost $1.44bn. The IMF had made in July this year an upfront disbursement of $991 million on completion of all prior actions committed by Pakistan before signing the fund programme.

The visiting team led by Mission Chief to Pakistan Ernesto Ramirez-Rigo will hold technical discussions with authorities from all the ministries, divisions and departments concerned to examine the latest data before winding up its trip on Nov 7 with policy-level talks with Adviser to the Prime Minister on Finance Dr Abdul Hafeez Shaikh and Governor of the State Bank of Pakistan Dr Reza Baqir.

The first quarterly review is expected to be completed on a positive note as authorities have generally shown good performance on most of the structural benchmarks and performance criteria set for the first quarter ending September 2019.

Senior IMF officials have already praised authorities for delivering on their commitments “beyond (fund’s) expectations”.

There are a couple of minor deficiencies though on indicative targets albeit with significant progress. The authorities expect the positive direction on even these shortcomings indicative of full compliance during the current quarter ending December 2019.
Authorities in Islamabad said they were comfortable with overall progress on the fund programme in the first quarter as its revenue shortfall had been more than compensated by higher than estimated non-tax revenues supported by licence fees provided by telecom companies. They said the government had put on hold issuance of fresh guarantees to the power and gas companies to stay within the IMF benchmarks despite pressing needs.

https://www.dawn.com/news/1513363/imf-team-arrives-to-review-pakistans-performance-under-6bn-package

ADB APPROVES $75M FOR SINDH EDUCATION PROJECT

Khaleeq Kiani Updated October 29, 2019

ISLAMABAD: The Asian Develop-ment Bank (ADB) on Monday announced that it has approved a $75 million loan for a project in the education sector of Sindh.

In a statement issued here, the Manila-based lending agency said the project was aimed at improving the quality, accessibility, and gender responsiveness of the secondary education system and infrastructure in Sindh.

Pakistan has 22.8 million out-of-school children, 28 per cent are in Sindh. The province also has the second lowest gross enrolment ratio and net enrolment rates at all education levels in the country.

The secondary education sector faces challenges ranging from outdated and dilapidated infrastructure, lack of access to schooling — particularly for girls — and poor teaching and learning quality, especially for core subjects, including language, mathematics and science.

Loan will be spent on improving quality, accessibility and gender responsiveness of secondary education

“Given the province’s strategic location, economic importance, and young workforce, Sindh has the potential to transform itself into a key driver of economic growth and development in Pakistan,” said Norman LaRocque, ADB Principal Education Specialist for Central and West Asia.

He said efforts to improve the education system and infrastructure in the province were important to ensuring that graduates have the necessary knowledge and skills to contribute productively to the country’s growth and development.

The Sindh Secondary Education Improvement Project will finance the construction of about 160 new secondary school blocks within existing government school compounds, largely in 10 districts in southern Sindh. The new blocks will feature gender responsive features such as separate sanitation facilities and separate prayer rooms for females. They will also be fitted with solar power.

Secondary school blocks will be managed by private partners under the government's education management organisation programme. The project will also improve teaching capacity in five key subjects, namely English, mathematics, biology, chemistry and physics, through the introduction of a teacher training and mentoring programme using information and communication technology and state of the art laboratory equipment in selected schools.

The province's secondary education examination system will be improved by increasing its emphasis on critical thinking, by the provision of new technology, and by capacity development for examination board assessors and staff.

Total cost of the project is $82.5 million, with the government of Pakistan contributing $7.5 million. The project is expected to be completed by the end of 2025.

The ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. In 2018, it made commitments of new loans and grants amounting to $21.6 billion. Established in 1966, it is owned by 68 members — 49 from the region.

Published in Dawn, October 29th, 2019

https://www.dawn.com/news/1513490/adb-approves-75m-for-sindh-education-project

PREPARED BY IMF, CURRENT BUDGET DESIGNED TO INCREASE LOANS, SAYS BENGALI

Shazia Hasan October 29, 2019

KARACHI: "The 2019-20 budget has deficit increases for the first time. There are small growth targets in there but bigger tax targets pointing to so many missing links. It looks like the budget, prepared by the International Monetary Fund [IMF], has been designed to increase loans," said noted economist Dr Kaiser Bengali.

He was speaking during the launch of a report, prepared by him in collaboration with economist Iffat Ara for the Pakistan Institute of Labour Education and Research (Piler), titled Analysis of Budget 2019-20: Recipe for External Debt Trap? at the Karachi Press Club on Monday.

Dr Bengali feared an increase in the inflation rate during the current fiscal year because according to him industrial growth has decreased and imports have increased. He said most of the time the government figures were incorrect. "The figures, the statistics point towards negatives but we are being told that the economy will improve. Perhaps they mean it will improve through inflation. Because when inflation increases, the taxes will also shoot up. Otherwise, I see no measures in this budget to improve the economy. In fact, it will push us into greater debts," he added.

Calls for a ban on imports to help local industry create jobs

He said that unemployment rate would further increase because of a slowdown in industrial production as most of the industries have cut their production, and thus laid off employees with the decrease in working hours. This has adversely affected the income of the employees. "And not just in the manufacturing sector, the number of employees in the services sector such as restaurants has also declined," he said while also pointing out that the service standards of many restaurants had declined due to reduction in their employees.

"Over 95 per cent of the budget is allocated for meeting government expenses, debt service, defence and maintenance of law and order. This year there was only two per cent increase in the social protection budget," he added.

"Our economy is import-based as most of our raw material is imported. These days I cannot find local items in supermarkets and big departmental stores in our urban areas. We have converted our economy into gambling economy," he said.

"Budget deficit is a big problem and last year the federal government reduced 28pc budget of the development schemes. This year further reduction is proposed in the budget. The government plans to privatise more state units, which may further increase unemployment. The government has already privatised over 100 industries, but unfortunately most of the privatised industries have been closed down," he added.

"It also looks like the government has relinquished its actual responsibility of providing basic facilities such as education, health, housing, environment, etc, to the public. Launching programmes is not enough. How are they going to run these programmes?" he questioned, while pointing out some of the things which the government can do in order to actually improve the economy.

"Ban foreign imports. That will help your own industry with the employment rate coming up again. The 17pc tax on the local industry is too much and should be brought down to five per cent. Another thing to do is decrease non-development expenditures at home. The military expenditures, especially the military's non-combat expenditures, should be reduced by 20pc," he said. "Actually, if the government reduced only two per cent in the defence budget, it can save Rs200 billion from that one head."

During her presentation, the analysis report's co-author economist Iffat Ara said that the external financing growth nearly doubled from 20pc over 2016-18 to 36pc in 2018-19 and was 26pc above the budget in 2018-19. "The budget 2019-20 projects external revenue growth at 116pc," she said.

Earlier, Karamat Ali of Piler, while recalling his childhood in Multan, said that during those days the simple folk there used to borrow money from moneylenders who would loan them money for collateral of their choice. "My friends and I were 12 to 14 years old when we saw one such moneylender banging the door of someone who had borrowed money from him and harassing him on his apologetically telling him that he was unable to pay up that month's instalment and interest. That's when we children picked up stones and started stoning the moneylender to leave alone the poor man he was harassing. We kept stoning him till he ran away and we chased him out of town. I wish someone could stone the IMF people now and chase them out of the country so that they never bother us again," he said.

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https://www.dawn.com/news/1513429/prepared-by-imf-current-budget-designed-to-increase-loans-says-bengali

IMF TALKS AND STRIKE

Editorial October 30, 2019

THE first review of the ongoing IMF programme has kicked off in Islamabad at precisely the same time as the traders' strike, which by all indications has been widely observed around the country. The timing is very significant, since the government has promised to forward the traders' demand for the withdrawal of some key documentation measures to the IMF. The fact that the Fund will be asked to consider this request in the midst of an ongoing countrywide strike will perhaps add some urgency to the discussions. What is important, however, is that in the middle of this urgency, the costs and consequences of a retreat from the documentation goals of the government, announced in its last budget as well as clearly laid out in the Fund programme, will be very large. The traders are adamant that who they buy from and sell to is none of the government's concern, only the quantum of revenue that is recovered from them is its business. But in the last budget speech, it was clearly said that the "primary theme of this budget is to improve documentation of economy", and conceding to the traders' demand to consider one tax on turnover as a full and final settlement of their tax obligations would be nothing short of a retreat from this position.

The IMF must impress upon the government the cost of retreating from its goal of documentation of the economy. It is fair for the government to search for ways to break the impasse created by the imposition of a CNIC condition upon all transactions of traders since this condition has nearly jammed the wheels of the economy. The supply chain of vendors, suppliers, distributors, retailers and wholesalers that keeps the manufacturing industry in motion and supplied with raw materials, and access to markets where they can disgorge their output, is currently halted mainly due to the imposition of this condition. It was easy enough to see the impasse coming in July when the documentation efforts were launched, but at the time the government repeatedly struck a strong and unequivocal note, signalling its determination to not back down. Having come this far, if it should now bow before the traders' demands, the 'primary theme' of the budget and the government's economic programme would stand defeated, barely one quarter into the new fiscal year.

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PAKISTAN WANTS IMF TO SEPARATE FATF FROM PROGRAMME

Staff Reporter October 31, 2019

ISLAMABAD: Pakistan has asked the International Monetary Fund (IMF) to relax conditionalities under the $6 billion Extended Fund Facility (EFF) relating to the Financial Action Task Force (FATF) and issuance of sovereign guarantees to help raise over $4bn from domestic and international markets.

Pakistan has budgeted about $3bn bonds (about Rs450bn) — Islamic Sukuk and Eurobond — to be launched in the international capital markets during the current fiscal year to meet targets under the EFF for foreign inflows. Separately, the government has planned to raise about Rs200bn from domestic Islamic banks for the power sector to scale down circular debt.

“We are dying to complete these transactions at the earliest,” a senior official told Dawn, adding that the capital market conditions were never as conducive as at present. He said the return on bonds had plummeted to almost zero in the international capital markets and investors were finding it hard to secure profits on secured papers. “This provides an ideal opportunity for Pakistan to tap international capital markets to secure sovereign bonds at a minimal interest rate,” the official said.

Pakistan had last tapped the international capital markets in 2016 at about 8.25 per cent mark-up when average yield hovered between 3pc and 5pc for other countries.

Likewise, the government had negotiated Islamic financing worth around Rs200bn for the power sector from domestic banks in recent months on top of another Rs200bn secured earlier this year.

Asks Fund to allow issuance of sovereign guarantees to raise over $4bn through bonds

But all these transactions are handicapped by the IMF conditionalities as part of the 39-month EFF. One of the structural benchmarks under the IMF programme is for Pakistan to “adopt measures to strengthen the effectiveness of AML/CFT (anti-money laundering/combating the financing of terrorism) framework to support the country’s efforts to exit the FATF list of jurisdictions with serious deficiencies” by the end of October 2019.

Likewise, one of the six performance criteria under the IMF programme for Pakistan is to have a “ceiling on the amount of government guarantees” to the extent of Rs1.6 trillion throughout the current year i.e. until end-June 2020.

The official said the finance ministry had already taken up the matter of separating the FATF from the IMF-supported economic programme on the sidelines of recent IMF/World Bank meetings in Washington. The Pakistani delegation, led by Adviser to the Prime Minister on Finance and Revenue Dr Hafeez Shaikh and comprising State Bank Governor Dr Reza Baqir and Finance Secretary Naveed Kamran Baloch, had also met the management and governors of the IMF.

Officials said the authorities had argued that the FATF had a very wide scope, at times of geo-political nature, having no direct link to the economic support package which should be dealt purely on the basis of financial and monetary policies.

Another official said Pakistan was considering launching at least one of the two bonds — Islamic Sukuk or Eurobond — before the end of December this year and complete the budgeted $3bn target before June next year.

A senior official said Pakistan had achieved almost all the targets for the first quarterly review and achieved about Rs9bn saving in current expenditures of the government. The size of sovereign guarantees stood at Rs1.6tr as of end-June 2019 against Rs1.3tr at the end of December 2018.

Under the IMF programme, the guarantees should remain frozen at Rs1.6tr as performance criteria until December and remain so as indicative target until end-June 2020.

Pakistan now wants this limit to be removed so as to go for the launch of domestic and international bonds which are not possible without sovereign guarantees.

Sources said the IMF was also insisting on further electricity tariff adjustments to the extent of 10pc in two phases — in January and March next year — and the National Electric Power Regulatory Authority was being asked to do the needful at the earliest.

An IMF team led by Mission Chief to Pakistan Ernesto Ramirez-Rigo is currently in Pakistan for first review under the $6bn bailout package and will wind up the visit by Nov 7. The successful completion of the review would enable Pakistan to draw another $453 million from the Fund in the first part of December this year, taking the total amount to almost $1.44bn.

The IMF had in July this year made an upfront disbursement of $991m on completion of all prior-actions committed by Pakistan before signing the Fund programme.

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WB PRESIDENT URGES FOCUS ON REFORMS FOR JOBS, GROWTH

APP Updated November 01, 2019

ISLAMABAD: A delegation of World Bank Group led by its President David Malpass is meeting with Prime Minister Imran Khan.—APP

ISLAMABAD: World Bank Group President David R. Malpass on Thursday said the reforms carried out by Pakistan for ease of doing business would help create jobs, attract investment and generate more tax revenue.

Malpass acknowledged the efforts taken by the government to improve its ranking on the Ease of Doing Business index.

"Your country jumped to 108th place from 136th last year. Your reforms made it easier for the entrepreneurs to start business, get electricity and construction permits, register property, pay taxes and trade across border", he remarked at the exhibition held to celebrate the country's 28-point jump in ease of doing business ranking.

He said that Pakistan could bring further ease in business by improving its judicial procedures, skill training and women empowerment. He also called for more digitisation of procedures and underscored the importance of transparency in reforms to win investors' confidence.

The World Bank would work hard to make Pakistan succeed as the country has the potential to make further reforms and cope with the challenges, he added.

Prime Minister Imran Khan, while speaking at the event, also informed the visiting delegation that the government is committed towards strengthening the economy, ensuring transparency and good governance through institutional reforms, tax reforms and socioeconomic development of marginalised sections of the society.

He added that ease of doing business, widening the tax base, domestic resource mobilisation, attracting foreign investment and financial reforms are the foremost priority of the government.

He said the government had launched various initiatives aimed at welfare of youth, poverty alleviation and housing sectors that would ultimately result in economic development.

The PM also stressed upon his economic team to make a new start by doing away with the old mindset of resisting wealth creation in the country.

He said the future belonged to wealth creation enabling government to collect more taxes and spend on public welfare.

The government wants industrialisation and alleviate poverty through more tax collection and spending to uplift the people’s living standards, he added.

The PM also appreciated the World Bank’s financial and technical support to the country.

On the other hand, WB President Malpass also lauded PM for personally spearheading various flagship programmes of the government.

He also recognised government’s efforts towards economic turn-around, reducing expenditures and initiating reforms in critical sectors of the economy.

Adviser to PM on Commerce, Industries and Investment Abdul Razak Dawood said that improvement of country’s ranking in “Ease of Doing Business” will attract foreign investment.

He also added that the improvement was an unprecedented jump in the country’s business environment and increase investment.

Later, a round-table conference discussed issues related to energy sector and reforming tax regime of the country.

PM’s Finance Adviser Dr Abdul Hafeez Sheikh gave an overview of the achievements made by the government during last year.

He said there was a considerable progress in exports, containing fiscal and current account deficit, revenue collection, restricting expenditures and exchange rate stabilisation.

Minister for Economic Affairs Hammad Azhar highlighted overall reform agenda of the government for economic turn-around.

Minister for Power Omar Ayub Khan and Assistant to PM on Energy Nadeem Babar shared the government’s strategy to overcome issues related to energy sector including circular debt and efforts being made to diversify energy mix with greater reliance on alternate and renewable energy resources.

In a separate visit to the Tarbela Dam, President Malpass also expressed satisfaction over the completion of the 4th Extension Hydropower Project, noting that ‘the work on the project is impressive’.

“I am happy over completion of the project within time and at less than estimated cost,” he said in a briefing after visiting the Tarbela Dam Project.

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PAKISTAN REQUESTS IMF TO CUT TAX TARGET BY RS300B

By Shahbaz Rana Published: November 1, 2019

ISLAMABAD: Pakistan has requested the International Monetary Fund (IMF) to reduce the federal tax target by Rs300 billion to Rs5.2 trillion as shortfall in collection has widened to Rs167 billion in just four months of the current fiscal year.

The request was made despite Prime Minister Imran Khan's personal commitment to the nation that he would go all out to achieve the Rs5.5-trillion annual tax collection target.

Both the sides were in negotiations about the possibility of reducing the FBR's annual target due to steeper-than-anticipated slowdown in the economy and import compression, highly placed sources told The Express Tribune.

Sources claimed that the IMF was also sympathetic after the fund's own model-based assessments showed that the collection would significantly fall short of the annual target of Rs5.503 trillion. The IMF team was assessing the actual impact of import compression on tax collection, they added.

However, the final decision on reducing the tax collection target would be taken while keeping in mind the overall primary budget deficit target and the cost of debt servicing that may remain higher than budgetary estimates, said the sources. They said any reduction in FBR's tax collection would have to be offset by an increase in non-tax revenue targets. The federal non-tax revenue target in the budget was Rs894 billion, while three weeks ago the adviser to prime minister on finance said the government was comfortable in collecting Rs1.5 trillion in non-tax revenues.

Sources said in case the collection again remained short of the possibly lower target, then the IMF would push for a mini-budget announcement in January.

On the insistence of the IMF, the federal government had set the FBR's tax collection target at Rs5.5 trillion or 12.4% of gross domestic product (GDP), requiring an impossible growth of 44% over previous year's collection. The target had been set on the basis of projected Rs4.150-trillion collection in the last fiscal year, which actually stood lower at Rs3.829 trillion.

From July through October, the FBR provisionally collected Rs1.28 trillion in taxes and fell short of its four-month target by Rs167 billion, according to FBR officials. The FBR was supposed to collect Rs1.447 trillion in July-October of the current fiscal year.

The Rs1.28-trillion collection was 16% or Rs176-billion higher than the previous year but was largely the result of blocking exporters' refunds and taking advances from big firms. Had the FBR cleared all the sales tax refunds of exporters and not taken advances, its collection would have further dipped to below Rs1.15 trillion.

"The FBR has collected Rs320 billion in October and has maintained an overall increase of 16% over last year," said FBR Chairman Shabbar Zaidi. The October's collection was higher by Rs45.4 billion or 16.5% over the same month of last year. But it also fell short of the monthly target by Rs56 billion.

The FBR also had to give one-month extension in the deadline for filing annual income tax returns for tax year 2019 after the number of return filers remained at around 1.1 million till the last date of filing. In tax year 2018, nearly 2.6 million people and companies had filed annual tax returns.In the last fiscal year, the FBR had collected Rs3.829 trillion in taxes. The government took Rs735 billion worth of taxation measures in the current year's budget while the nominal GDP growth is projected at 15% (3% real GDP plus 12% inflation), which will help collect additional taxes of Rs574 billion.

The growth in revenue collection in the first four months was at the level of nominal GDP growth of 15%. But the FBR believes that its efforts have been undermined by import compression as there is a healthy growth of over 20% at the domestic stage.

The FBR missed the July-October collection targets of income tax, sales tax, customs duty and federal excise duty despite slapping Rs735 billion worth of additional taxes and imposing 17% sales tax on local sales of five export-oriented sectors. Against the four-month target of Rs498 billion, the FBR provisionally collected Rs469 billion in income tax, missing the target by Rs29 billion. However, as compared to last year, there was an increase of Rs73 billion in the collection, showing a growth of 18.5%.

The sales tax collection stood at Rs566.5 billion against the target of Rs600 billion, falling short of the target by Rs33.5 billion despite blocking sales tax refunds. As compared to last year, the sales tax collection was higher by Rs114 billion or 25.2%.

Federal excise duty collection stood at Rs71 billion against the target of Rs85 billion, falling short of the goal by Rs14.2 billion. But there was 20% or Rs11.8-billion increase in the excise duty collection in first four months of the current fiscal year.

Customs duty collection stood at Rs209 billion, below the quarterly target of Rs264 billion. The target was missed by Rs55 billion. A steep contraction in imports has adversely affected the customs duty collection. The good thing about the customs duty collection was that the department did not take advance nor blocked rebates.

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https://tribune.com.pk/story/2091063/2-pakistan-requests-imf-cut-tax-target-rs300b/

USE DEVELOPMENT FUNDS AS 'STIMULUS' TO REVIVE GROWTH, ADVISES IMF

Khaleeq Kiani Updated November 02, 2019

ISLAMABAD: The Intern-ational Monetary Fund (IMF) on Friday asked Pakistan's federal and provincial authorities to introduce a single tax base and make full use of development funds as 'stimulus' to revive economic growth it estimated to be one of the lowest at 2.4pc for the current fiscal year.

An IMF team led by Mission Chief to Pakistan Ernesto Ramirez Rigo is in Pakistan for first quarterly review of the 39-month fund progrmmme. The mission held meetings with federal and provincial economic managers on Friday including finance ministers from Punjab, Khyber Pakhtunkhwa and Balochistan, special secretary finance from Sindh besides Finance Adviser Dr Abdul Hafeez Shaikh and Planning Minister Makhdum Khusro Bakhtyar.

Rigo “stressed upon a full use of the development budget to achieve the development goals,” said a statement issued by the Ministry of Finance.

Separately, Planning Minister Khusro Bakhtyar said he “thanked IMF for reinforcing need for higher public sector development spending in providing stimulus to the economic growth”.

Rigo also emphasised the need for “harmonisation in the tax system and creation of a single tax base as it directly impacted on the ease of doing business and went a long way in creating an enabling business environment and boosting confidence of the investors and businessmen.

Proposes single tax base to help create an enabling business environment

Dr Shaikh told the IMF that the federal and the provincial governments were in a continuous dialogue to improve coordination and create harmony on issues related to fiscal and budget management, multiplicity of tax rates and reconciliation of input adjustment.

The adviser said the harmonisation of taxation and other fiscal issues within the constitutional framework was a challenging process but a continuous dialogue and coordination between the centre and the provinces and between the provinces themselves had resulted in better budget and expenditure management.

On the other hand, he said that definitional issues as to what constituted a service and what rate of tax applied to it in different regions were also being resolved in a spirit of mutual understanding and accommodation.

The provincial ministers from Punjab, Khyber Pakhtunkhwa and Balochistan as well as officials from Sindh did not agree to an observation from the IMF chief that suggested higher tax collections showed the businesses were doing well.

Punjab Finance Minister Hashim Jawan Bakht responded that economy had in fact contracted and the improvement could be attributed to better fiscal management and greater efforts both at the federal and provincial level.

KP’s Finance Minister Taimur Saleem Jhagra believed that further improvements could be achieved if there was trust at various levels of the centre and the provinces and stakeholders do not hold back information and money. There should be enhanced coordination.

The provincial representatives also shared their experiences and briefed the IMF mission about various measures and strategies put in place in their respective provinces to achieve better fiscal and budget management.

A finance ministry statement said Rigo was impressed by what he described as good financial and fiscal management and maintenance of expenditure within the budget but called for full use of the development budget to achieve the development goals.

He said Pakistan had a continental size economy, much like the Western Europe where everybody had the same definition of the tax rate and services, and the same could be achieved in Pakistan through uniform tax rates and a single tax administration instead of two or three tax authorities in each province.

He appreciated the current level of understanding between the centre and provinces and hoped such efforts would continue to build consensus and bring about greater harmony.

Separately, the planning minister told the mission that the government was allocating additional resources for socio-economic uplift of deprived areas through regional equalisation programme and focus was being paid on enhancing productivity by investing more in knowledge economy, education, water resources and correcting transmission lags.

Bakhtyar said the government was under obligation under Water Policy to allocate 10pc of total resources under PSDP for water sector for enhancing storage capacity and enhanced attention was being given for projects nearing completion.

At the same time, he said the government was also trying to leverage private sector resources to complement development needs of the country.

Rigo expressed his optimism over Pakistan economy's future prospects by highlighting early signs of recovery as more machinery was being imported which in itself reflected greater confidence in investment prospects in the country. He also highlighted the increase in exports in quantum terms, a statement said.

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SINDH GOVT, WB APPROVE NEW DEVELOPMENT PROJECTS WORTH $1.93B

By Our Correspondent Published: November 2, 2019

KARACHI: Sindh Chief Minister Syed Murad Ali Shah met the World Bank President David Malpass, where they discussed $2.77billion ongoing projects and also approved $1.93 billion worth of new projects in the province. The new projects include the rehabilitation of Guddu and Sukkur Barrages as well as the overhaul of the Karachi Water and Sewerage Board.

The meeting, held at the CM House on Friday, was attended by WB South Asia Vice-President Hartwig Schafer, International Finance Corporation Regional Vice-President Nena Stoiljkovic, Equitable Growth, Finance and Institutions Vice President Ceyla Pazarbasioglu, WB Country Director for Pakistan Illango Patchamuthu and others. Meanwhile, the chief minister was assisted by Chief Secretary Mumtaz Shah, provincial cabinet members Nisar Khuhro, Ismail Rahu, Saeed Ghani, Imtiaz Shaikh, Azra Pechuho, Shehla Raza, Nasir Shah, Murtaza Wahab, Planning and Development chairperson Naheed Shah, Principal Secretary to CM Sajid Jamal Abro, finance, education and home secretaries, Sindh Revenue Board Chairman Khalid Mahmood and others.

In his presentation to the WB delegation, the chief minister said that the Sukkur Barrage was one of the most important barrages of the country and it was considered to be a lifeline for the rural economy. Similarly, Guddu Barrage is also important for the agro-economy of the province, he explained.

According to Shah, there was a proposal to construct a new barrage at Sukkur, but it would be a huge project in terms of financial implications. Therefore, the provincial government has decided to rehabilitate the Sukkur and Guddu barrages. The World Bank agreed to finance $328 million for the rehabilitation of both barrages.

The chief minister said that the Sindh government had requested the World Bank to conduct the Karachi Diagnostic Study in 2016, leading to the Karachi Transformation Strategy which developed a holistic plan to revitalise the city.

This plan has helped roll out reforms and investments in various sectors including water and sanitation, urban transport systems, and the local government system. These investments, coupled with attention to indicators having a bearing on the business environment, are expected to impact the ease of doing business which is bound to make Karachi the preferred choice of businesses, said the CM.

The chief minister said that the newly-signed ‘Competitive and Livable City of Karachi’ (CLICK) is a $ 230 million project, through which the provincial government plans to initiate local government institutional reforms in all six District Municipal Corporations and the Karachi Metropolitan Corporation. “It includes a component for conditional performance grants to local agencies for investing in infrastructure,” he said, adding that “this funding for improving the urban and municipal infrastructure at the DMC level is expected to upgrade the livability and simultaneously improve the governance of local government institutions”.

‘Click’ also includes property tax reforms and enhancing “doing business” reforms.

CM Shah said that the Karachi Water Services Improvement Project (KWSSIP) is a $1.6 billion program to be rolled out in three phases. Its first phase worth $100 million has been approved.

This envisages institutional reforms of the KWSB, strengthening its HR, technical capacity and improving its planning. It also includes some priority works. He urged the WB team to approve the launch of all the phases one after another so that it could make a clear impact. The visiting team approved the provincial government’s proposal.

The Karachi Neighborhood Improvement Project (KNIP) is a $98 million project, focused on improving urban infrastructure and creating better public spaces. It also involves a reform component for doing business, under which the Sindh government was able to set up a digital platform for the Sindh Building Control Authority. KNIP is also a type of pilot project that will guide the Sindh government in rolling out reforms and investments for the local government set up in the province.

The $381 million Karachi Urban Mobility Project (KUMP) was approved by the WB team, with the Sindh government now ready to start its implementation. The chief minister said that combined with the Bus Rapid Transit System and the Karachi Circular Railway, the mass transit system would provide Karachi seamless connectivity between residential districts, business districts, industrial estates and the ports.

The chief minister said that a large percentage of the province’s population depends on agriculture for sustenance and there was a continuous need to invest in agriculture productivity. “This requires investment in irrigation infrastructure, improved access to better inputs and mechanised farming and improvement in agriculture value chains. However, the most significant aspect that we wish to highlight is the increase in agriculture yields,” he said.

The $187 million Sindh Irrigated Agriculture Productivity Enhancement Project (SIAPEP) provides the required investment for on-farm water management. Meanwhile, the Sindh Agriculture Growth Project (SAGP) worth $76 million, is focused on improving various agriculture value chains and livestock in the province.

The chief minister said that the $61.6 million Response to Reduce Stunting Programme (SERRSP) and the $36.24 million Nutrition Support Programme were both very important projects. He said that the Sindh government was implementing the six-year (2016-2021) multi-sectoral 'Sindh Accelerated Action Plan for Reduction of Stunting and Malnutrition', aimed at reducing the stunting rate from the existing 45% to 30% by 2021.

He added that the WB-supported Nutrition Support Programme was initiated in 2014 and the SERRSP was funded by the Sindh government. "The 2018 National Nutrition Survey shows that the overall rate of stunting in Sindh has reduced from 48 to 45.5 percent, however it is higher than the national figure of 40%," he said.

The chief minister said that his government would need to make more efforts to attain the overall targets under the multi-dimensional poverty alleviation programmes. "The support on nutrition programme may need to be extended for another period of four years or so," he said, on which the World Bank asked the provincial government to formally submit the request.

Sindh Chief Minister Syed Murad Ali Shah discussing way forward under Phase 2 of

The CM said that the provincial government was planning to undertake a more planned investment in the intermediary cities for balanced growth across the province. "This includes investment in urban infrastructure, urban facilities and spaces, market infrastructure for improving livability, economic growth and job opportunities," the CM explained. "Without investing in intermediary cities, endeavours to create economic surplus won't be able to keep the demographic pressure to intermediary cities," he said, adding that the increase in economic opportunities in major cities has to be done in tandem with the increase in livability in these cities. The WB president urged the provincial government to float a concept paper for the Intermediary Cities Improvement Programme so that it could be discussed in the next meeting.

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https://tribune.com.pk/story/2091810/1-sindh-govt-wb-approve-new-development-projects-worth-1-93b/

WORLD BANK EYES INCREASE IN TAX RATIO TO 17PC BY FY24

Reporter Updated November 07, 2019

ISLAMABAD: The World Bank-funded $400 million project is aimed at creating a sustainable increase in the country's tax revenue, raising the tax-to-GDP ratio to 17 per cent and widening the tax net to 3.5m active taxpayers by 2023-24.

A World Bank team led by Vice-President for Equitable Growth, Finance and Institutions (EFI) Ceyla Pazarbasioglu on Wednesday informed Finance Adviser Hafeez Shaikh that the under-consideration project will assist in simplifying the tax regime and strengthening tax and customs administration. It will also support the FBR with technology, digital infrastructure and technical skills.

Country Director Illango Patchamuthu was also present in the meeting.

The government has set improving tax revenue with low compliance costs as a high priority.

The WB team also discussed the Resilient Institutions Strengthening Programme (Rise) which includes an integrated debt management office in the Finance Division. The meeting also focused on areas of harmonisation of tax regime, circular debt strategy and national tariff policy matters.

On the occasion, Dr Shaikh said Pakistan values the financial and technical support provided by the World Bank for institutional reforms and economic development of the country.

The adviser appreciated the support being provided by the World Bank to Pakistan and highlighted the government's focus on expediting speedy roll-out of the projects in pipeline and actions being taken in this regard.

Ms Pazarbasioglu, who oversees a portfolio of nearly $30 billion of operational and policy work, appreciated the economic reforms programme initiated by the government to stabilise economy and accelerate broad-based growth. The World Bank team also congratulated Dr Shaikh on the improvement on the ranking of the 'Ease of Doing Business'.

Ambassador of Qatar, Saqr bin Mubarak Al Mansouri also held a meeting with Dr Hafeez Shaikh, and handed over to him an invitation letter from the Deputy Prime Minister of Qatar to attend the 'Doha Forum' scheduled to be held next month.

The envoy said the relationship between Pakistan and Qatar had many manifestations and the two countries are working together to forge business partnerships and economic collaborations.

The adviser said that Pakistan values its relationship with Qatar and the government is keen to facilitate the Qatari businessmen and investors who have shown interest in recent months to invest in Pakistan and participate in the economic development of the country.

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https://www.dawn.com/news/1515405/world-bank-eyes-increase-in-tax-ratio-to-17pc-by-fy24

NOVEMBER 2019

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POLICY TALKS BEGIN WITH IMF

Khaleeq Kiani Updated November 05, 2019

ISLAMABAD: Pakistan and the visiting staff mission of the International Monetary Fund (IMF) on Monday started policy level talks for disbursement of second tranche of about $453 million early next month under the $6 billion Extended Fund Facility (EFF) finalised in May this year.

A senior government official told Dawn that Secretary Finance Naveed Kamran Baloch and Governor State Bank of Pakistan (SBP) Dr Reza Baqir began the policy discussions with the fund led by its Mission Chief to Pakistan Ernesto Ramirez-Rigo. Prime Minister's Adviser on Finance and Revenue Dr Abdul Hafeez Shaikh is expected to join the negotiations on Wednesday (November 6) for the concluding round, he added.

Sources said the venue of the negotiations was moved out of the Ministry of Finance to a local hotel where the members of mission were staying due to a precautionary advisory to the staff mission. Both sides were unable to meet the media, saying the press would be contacted at the conclusion of the talks.

The sources said the authorities were confident about the successful completion of the first quarterly review of the fund programme, leading to disbursement of second tranche in December. They said the current account had responded to the steps introduced by the finance ministry and the central bank more than the expectations while fiscal account targets for the first quarter had also been met.

It was reported that about Rs50bn budgetary savings had been achieved in the first quarter of the fiscal year through a tight check on additional supplementary grants while about Rs9bn savings were reported due to control over current expenditures. The sources said about Rs113bn slippages on the revenue side were partially met through these savings and better recoveries on account of non-tax revenue.

There were some concerns over the pace of expansion in the revenue shortfall and the authorities hinted at taking additional and corrective measures to achieve end-December targets. Discussions also took place over adjustments on the revenue side.

The IMF had disbursed in July this year about $991m on completion of all prior actions committed by Pakistan before signing the fund programme. The two sides have been in technical level discussions since October 28 for exchange of latest data relating to all the economic ministries and their entities.

The government was advised last week by the IMF team to strengthen cooperation at the federal and provincial levels for greater fiscal and economic coordination and asked the federal and provincial authorities to make maximum utilisation of development allocations to revive growth.

The authorities in Islamabad said they were comfortable with overall progress on the fund programme in the first quarter as its revenue shortfall had been more than compensated by higher than estimated non-tax revenues supported by licence fees provided by the telecom companies.

Under the fund programme, the government is to deliver on six performance criteria including those relating to net international rese-rves, net assets of the central bank, SBP’s stock of net foreign currency swaps and forward position, primary budget deficit, no government borrowing from central bank and a ban on government guarantees.

In addition, there are two continuous performance criteria including zero new credit to the government by the SBP and on accumulation of external public payment arrears. On top of that, the authorities’ performance is also reviewed on five indicative targets including disbursements under BISP, government spending on health and education, tax collections, payment of tax refunds and a freeze on power sector’s circular debt.

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GOVERNMENT-IMF TALKS TO FOCUS ON 3 KEY AREAS

By ZAHEER ABBASI on November 6, 2019

The policy level discussion, which began on Tuesday between Pakistan and the visiting International Monetary Fund (IMF) Mission, would focus on revenue collection, circular debt and privatization process.

A participant of the meeting on condition of anonymity said that there is considerable shortfall in revenue collection during the first four months of the current fiscal year. He added that FBR revenue collection target of Rs 5.5 trillion is based on projection of Rs 4,150 billion for the last fiscal year; however, the actual collection was Rs 3,830 billion which means that the base of FBR tax collection target was affected by Rs 318 billion from the day one.

The country's authorities now want the IMF to adjust Rs 320 billion erosion in the base and allow a downward revision in FBR target for the current fiscal year.

A senior official said that the additionally, the impact of import compression policy on FBR collection is greater than envisaged and the government's policy to deal with the challenge of current account deficit by contracting imports is having a significant impact on FBR tax collection.

The FBR is said to have informed that revenue during the first quarter has grown by 16 percent with addition revenue of Rs 131 billion over the first quarter of the last fiscal year.

Power sector circular debt, according to the participant, would be another area of focus during the policy level discussion and the power sector would satisfy the staff mission over considerable decline in flow of circular debt. The policy level discussion would also focus on the privatization process as these two areas have been making a major hole in fiscal side.

However, the government side appears confident about the successful completion of the first quarterly review of $6 billion Extended Fund Facility (EFF) for disbursement of second installment.

The government's major achievement has been on external side with considerable contraction in the current account deficit subsequent to a slash in import bill. An official of Finance Ministry claimed that despite a Rs 108 billion shortfall in revenue collection of the FBR, fiscal deficit target was on track. The official claimed that Finance Ministry has been able to mange fiscal deficit within the target by reducing expenditure; however, the claim was not verifiable as consolidated fiscal operation for the first quarter is yet to be released.

https://www.brecorder.com/2019/11/06/541951/government-imf-talks-to-focus-on-3-key-areas/

NO RELAXATION, NO WAIVERS AS IMF CONCLUDES REVIEW

Khaleeq Kiani Updated November 08, 2019

ISLAMABAD: Concluding the first quarterly review on a successful note, the International Monetary Fund (IMF) has asked the government to definitely achieve the revenue target, keep a cap on issuing new guarantees and put into effective implementation the circular debt reduction strategy.

“The talks with the visiting mission have been highly successful,” a senior government official told Dawn adding the “government did not ask for a waiver, it was not required.”

IMF's country representative in Islamabad Teresa Daban Sanchez declined to comment when approached.

According to the official, the mission also appreciated State Bank's policy direction and wanted its continuation in the short- to medium-term period. On top of that, it wanted the government to play a more proactive role in ensuring independence of the central bank through legal instruments.

Responding to a question, he said IMF called upon the government to avoid any tax exemptions and take decisive steps towards 'harmonisation of taxes and removal of distortions' at federal and provincial levels. He said neither the tax target was revised nor waivers sought or required.

The Fund also wanted further progress on implementation of Public Finance Management Law and noted that there were still public funds outside the single treasury account which should be phased out at the earliest. This will further add to the fiscal cushion as all public funds would remain in single account, providing greater maneuverability to the government.

The official said the talks had been completed even though a formal winding up session with Finance Adviser Dr Hafeez Shaikh would be held on Friday before the mission's departure. He continued that the mission appreciated progress on the implementation of the programme so far but emphasised that there was no room for complacency in any of the key areas going forward.

He said IMF also called for a strict adherence to Rs1.6 trillion worth of government guarantee limit and discussed various options with the ministries of finance and power regarding tariff issues. The fine print of these options would be part of the staff report and may be made public as part of concluding statements due on Friday.

The mission also reportedly insisted not to lose sight of the fiscal discipline that had delivered dividends in the first quarter of this year as fiscal deficit came down to 0.7 per cent of GDP when compared to 1.4pc of same quarter last year. Some ideas were also discussed on readjustment of regulatory duties on various import items. There will be some increases in duties on non-essential imports and reduction on those relating to raw materials and industrial requirement in priority areas.

He said better non-tax revenues as against lower than targeted FBR revenues and the reserve money set aside from SBP last fiscal year had helped primary account to remain in surplus close to about Rs290 billion in first quarter of this fiscal year.

The authorities are expecting disbursement of second tranche of about $453 million in December this year as a result of completion of the first quarterly review. Pakistan had already received about $995m in July out of total $6bn programme on completion of all prior actions committed by the country before signing the fund programme.

The government was advised to strengthen coordination at the federal and provincial levels for greater fiscal and economic calibration and taxation harmonisation.

Under the fund programme, the government is required to deliver on six performance criteria including those relating to net international reserves, net assets of the central bank, SBP's stock of net foreign currency swaps and forward position, primary budget deficit, no government borrowing from central bank and a ban on government guarantees.

In addition, there are two continuous performance criteria including zero new credit to the government by SBP and on accumulation of external public payment arrears. On top of that, the authorities' performance is also reviewed on five indicative targets including disbursements under Benazir Income Support Programme, government spending on health and education, tax collections, payment of tax refunds and a freeze on power sector's circular debt.

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PARLIAMENT AND THE IMF

By RECORDER REPORT on November 8, 2019

It was extremely disturbing for the jointly held National Assembly and Senate finance standing committees to, first, invite the International Monetary Fund (IMF) staff for an interaction and, second, to then urge the Fund to soften the conditions of its 6 billion dollar 39-month ongoing Extended Fund Facility (EFF) programme that are triggering inflation and unemployment in the country. It is the prerogative of the government and the government alone to negotiate the terms and conditions of any donor programme and by directly interacting with the Fund staff, who are answerable to their board of directors and not to our parliament, the powerful finance committees of the two houses of parliament unnecessarily raised the stature of the Fund staff while, at the same time, demeaning their own standing within a democratic framework.

Our parliamentarians must acknowledge that any political repercussions of the conditions agreed with IMF, hard or soft, are borne by the government and that parliament is the forum where the government is answerable to the people and where opposition and/or the government backbenchers may express their concerns on the design of a programme and its sequencing. True that the PTI government, like its predecessors, does not engage in meaningful discussions in parliament and has opted for the path of issuing ordinances instead of getting approval from parliament yet that wrong does not make direct interaction with IMF right.

Additionally, our economic team leaders have shown a complete disregard for informed criticism of the agreed programme and insist on the veracity of their flawed narrative by convincing the Prime Minister that their assessment alone is the true one. Business Recorder continues to urge the Prime Minister to keep an open mind with respect to the relevance and efficacy of his economic team's narrative.

Be that as it may, the IMF has come under considerable criticism from several Nobel laureates, including those like Jo Stiglitz who worked for the Fund and highlighted its deficiencies inclusive of insistence on standard normal conditions that do not reflect a country's unique socio-economic conditions. An example is the Fund staff's insistence that privatisation is the cure for dealing with all issues of state-owned entities (SOEs) with Stiglitz arguing that this is not always the case especially in countries with a limited number of people with purchasing capacity that may lead to surfacing of accusations of selling the family silver cheaply.

In the case of Pakistan and the recent Fund programme there are serious concerns with respect to its completion given the high rate of inflation and rising unemployment – the two indicators that can fuel socio-economic unrest; planning minister Hammad Azhar's contention that only large-scale manufacturing (LSM) sector has witnessed a negative 7 percent growth while small and medium enterprises (SMEs) have witnessed growth is inaccurate for two reasons: (i) the downstream industry associated with LSM is significant, categorised as SMEs, has naturally also witnessed a massive decline; and (ii) surveys carried out in the twin cities reveal that SMEs operating in the service sector have been forced to lay off staff with their sales down due to the erosion of the value of each rupee earned as well as the inability of the private sector to raise salaries due to the economic slowdown.

In terms of the macroeconomic policies supported by the Fund for the ongoing programme it is baffling why expenditure has not been curtailed – current or development – while the onus of minimizing the budget deficit is placed on revenue generation or on the taxpayers (and poor taxpayers at that, given the fact that indirect taxes remain the largest source of revenue whose incidence is greater on the poor than on the rich). Azhar refers to State Bank of Pakistan profit budgeted last year at 280 billion rupees (with a shortfall of 133 billion rupees) arguing that it was overestimated in the budget presented by PML-N; however, he ignored the fact that the PTI government could and should have presented its own budget when it assumed power instead of merely tweaking some expenditure and revenue items; the budgeted amount as SBP profit for the current year of 406 billion rupees is unlikely to be realised unless the SBP resorts to some innovative accounting. To argue that this would be achieved as the government will not borrow from the SBP is flawed logic and Azhar must understand that this standard IMF condition was agreed by the previous administrations when on a Fund programme as well and besides his government continues to indirectly borrow from the SBP through open market operations.

What is unfortunate is that our economic team leaders, with long time experience working for donor agencies, are convinced of the Fund's standard prescriptions. That is where the mindset needs to change if any change in the IMF conditions is to come.

https://www.brecorder.com/2019/11/08/542647/parliament-and-the-imf/

ALL TARGETS MET, SAYS IMF AS CIRCULAR DEBT COMES INTO FOCUS

Khaleeq Kiani November 09, 2019

ISLAMABAD: A staff mission of the International Monetary Fund (IMF) on Friday concluded its visit to Pakistan with all praise to authorities for over-performing on first quarter targets under the $6 billion Extended Fund Facility to pave the disbursement of $450 million early next month.

The mission led by Ernesto Ramirez-Rigo, however, hinted at a couple of minor shortcomings that authorities would need to deliver before IMF executive board takes up for formal approval of the staff-level agreement. These related to power sector tariffs and effective taxation on cigarettes.

The Fund also lowered inflation outlook for FY20 at 11.8 per cent average against its 13pc estimate only a few days ago as part of its regional economic outlook. That, in a sense, was an indicator towards possibility of lower discount rates in coming monetary policy by end of this month. The saving rates have already been lowered this week following decline in secondary market yields on bonds.

At the conclusion of a 10-day visit, Rigo announced to have reached staff level agreement on the first review saying “all performance criteria for end-September were met with comfortable margins and progress continues towards meeting all structural benchmarks” adding the “work continues towards completing the remaining structural benchmarks for end-September”.

Structural benchmarks remain ‘work in progress’; release of $450m tranche next month

The mission also appreciated the State Bank of Pakistan (SBP) on its overall stance and performance particularly for delivering “higher than expected” net international reserves. It said the government’s policies had started to bear fruit, helping to reverse the buildup of vulnerabilities and restore economic stability. “The external and fiscal deficits are narrowing, inflation is expected to decline, and growth, although slow, remains positive”, it summarised.

It said the near-term macroeconomic outlook broadly remained unchanged from the time of the programme approval in July, with gradually strengthening activity and average inflation expected to decelerate to 11.8pc in FY20. “However, domestic and international risks remain, and structural economic challenges persist,” it added.

The delegation emphasised that prudence needed to be maintained to reduce fiscal vulnerabilities, including by carefully executing the FY20 budget, implementing the new Public Finance Management legislation, and continuing to broaden the tax base by “removing preferential tax treatments and exemptions” while protecting critical social and development spending.

Sustaining sound policies and advancing structural reforms remain key priorities to enhance resilience and pave the way for stronger and sustainable growth, the Fund said. In this regard, it called for advancing the strategy for electricity sector reforms, agreed with international partners to put the sector on a sound footing, and remove recurrent arrears and accumulation of debt. The mission, along with the World Bank, also approved a circular debt reduction plan, according to a statement by Ministry of Energy.

The mission said further efforts to strengthen state-owned entities’ governance and operations, advance anti-corruption reform, and improving the business environment were key to mobilise investment and support growth and job creation.

It said the Pakistani authorities and IMF also reached a staff-level agreement on policies and reforms needed to complete the first review under the facility. The agreement is subject to approval by IMF management and the board.

“Completion of the review will enable disbursement of SDR328 million (or around $450m) and will help unlock significant funding from bilateral and multilateral partners,” the Fund explained.

It further noted the significant progress made in improving the Anti-Money Laundering/Combating Financing Terror framework, although additional work is needed before March 2020. International partners remain committed to supporting the authorities’ reform efforts, providing the necessary financing assurances.

On the macroeconomic front, signs that economic stability is gradually taking hold are steadily emerging. The external position is strengthening, underpinned by an orderly transition to a flexible, market-determined exchange rate by SBP.

The fund said the budgetary revenue collections were growing due to efforts on tax administration and policy changes, and despite the ongoing compression in import-related taxes. Inflationary pressures are expected to recede soon, reflecting an appropriate monetary stance. Importantly, measures to strengthen the social safety net are being implemented, and development spending is been prioritised.

The mission appreciated that authorities recognised that decisive implementation of these policies was indispensable for entrenching macroeconomic stability and restoring robust and balanced growth.

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FISCAL PRUDENCE NEEDS TO BE MAINTAINED: IMF

By ZAHEER ABBASI & TAHIR AMIN on November 9, 2019

The International Monetary Fund (IMF) on completion of mandatory first review of $6 billion Extended Fund Facility (EFF) reached agreement with Pakistani authorities and emphasized that Pakistan needs to maintain fiscal prudence to reduce fiscal vulnerabilities and proceed with the strategy on energy reforms agreed with the international partners.

A statement issued after the completion of the first review stated that IMF reaches Staff-Level Agreement with Pakistan as all performance criteria for end-September were met with comfortable margins and progress continues towards meeting all structural benchmarks and government's policies have started to bear fruit, helping reverse the buildup of vulnerabilities and restore economic stability. The external and fiscal deficits are narrowing, inflation is expected to decline, and growth, although slow, remains positive.

However, sustaining sound policies and advancing structural reforms remain key priorities to enhance resilience and pave the way for stronger and sustainable growth, noted the IMF.

An International Monetary Fund (IMF) mission led by Ernesto Ramirez Rigo visited Islamabad from October 28 to November 8, 2019 to conduct discussions on the first review and agreement reached with Pakistan is subject to approval by IMF management and the Executive Board of Directors. Completion of the review will enable disbursement of SDR 328 million (or around US$ 450 million) and will help unlock significant funding from bilateral and multilateral partners.

The IMF acknowledged that despite a difficult environment, program implementation has been good, and all performance criteria for end-September were met with comfortable margins. “Work continues towards completing the remaining structural benchmarks for end-September," according to IMF.

The Fund said that significant progress has been made in improving the AML/CFT framework but additional work is needed before March 2020. International partners remain committed to supporting the authorities' reform efforts, providing the necessary financing assurances.

On the macroeconomic front, signs that economic stability is gradually taking hold are steadily emerging and external position is strengthening, underpinned by an orderly transition to a flexible, market-determined exchange rate by the State Bank of Pakistan (SBP) and a higher-than-expected increase in SBP's net international reserves.

Budgetary revenue collections are growing on the back of efforts on tax administration and policy changes, despite the ongoing compression in import-related taxes. Inflation pressures are expected to recede soon, reflecting an appropriate monetary stance. Importantly, measures to strengthen the social safety net are being implemented, and development spending is being prioritized.

The IMF has not changed its near-term macroeconomic outlook for Pakistan and stated that it is broadly unchanged from the time of the program approval, with gradually strengthening activity and average inflation expected to decelerate to 11.8 percent in fiscal year 2020. However, domestic and international risks remain, and structural economic challenges persist.

The review mission's discussions focused on policies to support Pakistan achieve a strong and balanced growth. Fiscal prudence needs to be maintained to reduce fiscal vulnerabilities, including by carefully executing the fiscal year 2020 budget, implementing the new public finance management legislation, and continuing to broaden the tax base by removing preferential tax treatments and exemptions, while protecting critical social and development spending.

Advancing the strategy for electricity sector reforms, agreed with international partners, is important to put the sector on a sound footing, and remove recurrent arrears and accumulation of debt.

Further efforts to strengthen SOE governance and operations, advance anti-corruption reform, and improve the business environment are keys to mobilizing investment and support growth and job creation. The authorities recognize that decisive implementation of these policies is indispensable for entrenching macroeconomic stability and restoring a robust and balanced growth.

The IMF review mission led by Mission Chief Ernesto Ramirez Rigo Friday met with the government economic team led by Adviser to the PM on Finance Dr Abdul Hafeez Shaikh on conclusion of their review.

Dr Hafeez Shaikh appreciated IMF's financial, technical and advisory support to Pakistan.

The Mission remained in Pakistan from 28th October to 8th November and held meetings with the PM and the government economic team, provincial governments and other stakeholders.

The IMF Mission Chief acknowledges the government's efforts in meeting targets and praised the government for introducing far-reaching economic reforms in a challenging environment. Next review will take place early next year, the statement concluded.

https://www.brecorder.com/2019/11/09/542954/fiscal-prudence-needs-to-be-maintained-imf/

SINDH GOVT, WB TO ENHANCE URBAN SPACES, IMPROVE CITY’S INFRASTRUCTURE

By Our Correspondent Published: November 10, 2019

KARACHI: Arts Council of Pakistan in Karachi has been renovated such that space will be able to facilitate larger audiences than before. This was stated by Sindh Chief Minister Syed Murad Ali Shah on Saturday, at the launching ceremony of a project aimed at revitalising urban spaces in the city to provide platforms for artists, intellectuals, and students. Shah said that the Sindh government, aided by the financial and technical support from the World Bank, had initiated the four-year Karachi Neighbourhood Improvement Project (KNIP) in July 2017.

The launching ceremony for KNIP was held at the Arts Council of Pakistan in Karachi and was attended by Home Secretary and KNIP Project Director Qazi Kabir, the president of Arts Council of

Pakistan, Karachi, the team of KNIP, senior officers of the Sindh government, representatives of the World Bank (WB), artists and citizens of Karachi.

The project aims to enhance public spaces and roads' infrastructure, as well as facilitate the public's access to markets in targeted areas such as Saddar, Malir and Korangi, said the chief minister. According to Shah, the project, launched under the planning and development department, comprises three components, which relate to the improvement of mobility and access to public spaces in selected neighbourhoods, improving the city's capacity to provide better administrative services, and garnering support and technical assistance for the implementation of the project.

The chief minister said that an 'educational and cultural zone' is being established in Saddar. The area falling under the triangular boundary formed by Din Muhammad Wafai Road and Stratchan Road, Dr Ziauddin Ahmed Road and MR Kayani Road has been selected as the sub-project area in phase-I of the project, said Shah, adding that the approximate length of the sub-project roads is 2.5 kilometres. "A parking plaza near the National Museum has also been built to tackle the challenges of parking in one of the most crowded areas of the city," said Shah.

Shah said that the World Bank carried out a 'Karachi City Diagnostic' at the request of the Sindh government so that a strategy could be formed for the transformation of Karachi through long-term and short-term projects. "The Karachi City Diagnostic provides an overview of the challenges and opportunities in the metropolis. It estimates the level of investment needed to bridge infrastructural gaps and improve the region's economic potential," said Shah.

The Arts Council of Pakistan in Karachi has also been renovated under this project, said Shah, adding that not only had the space been expanded to cater to bigger audiences but the cafeteria and event space has also been improved with lights and landscaping elements such as a green belt and a fountain.

According to Shah, a semi-covered, indoor event space for 100 persons has been established in the north and south courtyards and a similar space for exhibitions on the ground floor of Manzar Hall has also been enhanced with two fountains, seating arrangement, and landscape features.

The chief minister said that the project is based on a participatory approach which is to say that it incorporates the interests of those who will benefit from the project and the local community in the designated areas of the project. He said that the KNIP team consulted with various stakeholders through workshops and meetings.

For the renovation of the Arts Council building in Karachi, around 162,000 persons were counted as project beneficiaries. These persons included casual visitors, artists and participants of various events held there. Male and female ratios of these beneficiaries was also calculated at 60 and 40 per cent respectively, said Shah. A project beneficiary survey was also taken within the area where civil works are being carried out under KNIP and the response from the community has been positive so far, he added.

The intervention carried out in Arts Council is not going to end here but will continue in phase-II, during which an open-air theatre will be constructed, he said.

The chief minister announced that another component of the KNIP was the 'single window facility' for the Sindh Building Control Authority to facilitate the issuance of construction permits under one roof. "The time required for construction permits has been reduced from 45 days to 15 days," he said, adding that the country's ranking on the Ease of Doing Business Index had also improved. He credited the country's improved rank to the Sindh Building Control Authority, which accounts for 60 per cent of the process of issuing construction permits, according to him.

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https://tribune.com.pk/story/2096843/1-sindh-govt-wb-enhance-urban-spaces-improve-citys-infrastructure/

POLITICAL CONSENSUS NEEDED TO KEEP UP WITH IMF-BACKED REFORMS

Zeeshan Haider November 10, 2019

Pakistan has come away with a lavish praise from the International Monetary Fund (IMF) at the end of the first staff level review of the bailout package handed to it in May.

A statement issued at the conclusion of the 12-day meetings and talks with the Pakistani government leaders and economic managers, the Fund's negotiating team led by Ernesto Ramirez Rego said the Pakistani authorities and the IMF mission had reached staff level agreement on the first review under the Extended Fund Facility (EFF). This has raised hopes that Pakistan would get the second tranche of 450 million dollars without any difficulty, though the statement maintained that it would be subject to the approval of the fund's Executive Board.

According to the IMF mission, Pakistan has met all performance criteria for the end of September with comfortable margins, and progress continues towards meeting all structural benchmarks.

"The government's policies have started to bear fruit, helping to reverse the build-up of vulnerabilities and restore economic stability," the statement said. "The external and fiscal deficits are narrowing, inflation is expected to decline, and growth, although slow, remains positive."

The fund maintained that sustaining sound policies and advancing structural reforms remain key priorities to enhance resilience and pave the way for stronger and sustainable growth.

"Despite a difficult environment, programme implementation has been good," the mission observed.

"On the macroeconomic front, signs that economic stability is gradually taking hold are steadily emerging," it said, adding that "the external position is strengthening, underpinned by an orderly transition to a flexible, market-determined exchange rate by the State Bank of Pakistan (SBP) and a higher-than-expected increase in SBP's net international reserves."

According to the IMF mission, budgetary revenue collections are growing on the back of efforts on tax administration and policy changes, and despite the ongoing compression in import-related taxes.

Inflation pressures were expected to recede soon, reflecting an appropriate monetary stance. Importantly, measures to strengthen the social safety net were being implemented, and development spending was being prioritised.

"The near-term macroeconomic outlook is broadly unchanged from the time of the programme approval, with gradually strengthening activity and average inflation expected to decelerate to 11.8

percent in FY2020. However, domestic and international risks remain, and structural economic challenges persist," the mission further said.

During the discussions at the review, the IMF team focused on policies to support Pakistan in achieving strong and balanced growth.

"Fiscal prudence needs to be maintained to reduce fiscal vulnerabilities, including by carefully executing the FY20 budget, implementing the new Public Finance Management legislation, and continuing to broaden the tax base by removing preferential tax treatments and exemptions, while protecting critical social and development spending."

The fund also praised the government's reforms and measures in the energy sector and maintained that advancing the strategy for electricity sector reforms, agreed with international partners, was important to put the sector on a sound footing, and removing recurrent arrears and accumulation of debt.

Further efforts to strengthen state owned enterprise governance and operations, advance anti-corruption reform, and improve the business environment were key for mobilising investment and supporting growth and job creation.

"The authorities recognise that decisive implementation of these policies is indispensable for entrenching macroeconomic stability and restoring robust and balanced growth."

Such strong words of support from the IMF should serve as a shot in the arm for the government which has been facing increasing pressure and protests from the political opposition as well as a simmering uneasiness from the people confronted with high inflation.

But said words of praise by the IMF are not new for any government in Islamabad. Whenever Pakistan struck a bailout package agreement with the IMF, it was heaped with praise throughout the programme. However, once that program is completed the country is generally found back at square one.

Some economic analysts even believe that the IMF has turned into a political rather than a financial institution.

Ironically, when Pakistan is winning plaudits from the IMF, a sword of domiciles from the Financial Action Task Force (FATF) is hanging on its head over issues relating to money laundering and terror financing.

The world's terror financing watchdog has extended Pakistan's presence in its grey list of countries that need to take measures to curb money laundering and terror financing until February, and the government ministers and officials at a recent meeting of the Standing Committee of the National Assembly expressed the fear against Pakistan's stay on the notorious list.

The government officials believe that FATF has also become a political tool in the hands of influential countries which they use against those who do not toe their line.

Interestingly, the IMF had also linked its package with the FATF findings and the government reportedly tried to get it delinked with the FATF during the staff level talks, but there was no word on it in the IMF mission statement.

The economic challenges for the government seem to be getting complicated with each passing day, though the prime minister and his cabinet member believe otherwise and say that the worst is over.

However, until Pakistan sees a huge influx of private investment from home and abroad and a phenomenal rise in exports, which would result in creation of huge job opportunities and economic activities, the challenges for the government would remain grave.

A slow-down of economy and paltry growth has stalled the country, and the government needs to do something to address growing concerns of the masses with regard to spiralling inflation.

There are apprehensions that the government may compromise on the commitments it had made with the IMF in the wake of growing opposition pressure, and one sign of that vulnerability became visible when the government relaxed its taxation reforms and other tough measures in talks with the traders shortly after IMF mission landed in Islamabad.

The government needs to develop a political consensus in the country over how it would go about the IMF programme, because as it proceeded it has to take much more difficult decisions.

In such a situation, the government cannot afford confrontation with its opposition which may detract it from implementation of its economic agenda.

The writer is a senior journalist based in Islamabad

https://www.thenews.com.pk/print/553319-political-consensus-needed-to-keep-up-with-imf-backed-reforms

NEWS COVERAGE PERIOD FROM NOV 11 TO 17

SINDH GOVT ACQUIRES LOAN OF $300M FROM KOREA TO BUILD THREE HOSPITALS

By Our Correspondent Published: November 12, 2019

KARACHI: The Sindh government has approved a proposal for the establishment of a 200-bed children's hospital in Sukkur. The facility will be built with the assistance of the Korean government at a cost of $57.274 million. Besides, the provincial government also approved the reconstruction of Chandka Medical College (CMC) Hospital, Larkana and DHQ Sujawal, for which the Korean government has committed to providing a $300 million soft loan.

This was decided in a meeting between representatives of the Sindh government, led by Chief Minister Syed Murad Ali Shah and a delegation of the Korean Exim Bank, headed by its DG, Um Sung Young, senior officer Koh Myungseong and administrative secretary Saud Hussain Kahlon. The chief minister was assisted by the health minister Dr Azra Pechuho, Planning and Development Chairperson Nahid Shah, Finance Secretary Hassan Naqvi, Education Secretary Ahsan Mangi, Health Secretary Zahid Memon and Health Special Secretary Dr Dabir.

During the meeting, the provincial government approved the scheme for the establishment of the Children's Health Care Institute, Sukkur. The scheme was earlier approved by the Central Development Working Party and the Executive Committee of the National Economic Council in 2015, but the project was halted for want of funds. The Sindh government negotiated with the Korean government, which has agreed to provide a soft loan of $46 million for the project, while the provincial government has allocated the remaining amount. The total cost of the project stands at Rs5 billion.

The hospital would be established over an area of 27 acres on Airport Road, Sukkur. It will feature a Neonatal Care Unit (NCU), Emergency Blood Transfusion Unit, Pediatric Intensive Care Unit (PICU), pediatric surgeries and OT department, efficient patient transportation system, enhancement of pediatric special medical services, special OPD for ophthalmology and an ENT unit.

Dr Pechuho told the chief minister that the bidding document for engaging the contractor had been completed. She added that the contractor would be hired very soon and the work would be completed by the end of 2021.

The chief minister said that the Chandka Medical College Hospital, Larkana, is housed in an old building, therefore he wanted to reconstruct the hospital building. He added that the newly-created district of Sujawal needed a District Headquarter Hospital, which he also wanted to construct. He requested the Korean authorities to extend a $254 million loan so that both these hospitals could be established.

The Korean delegation said that their government has already approved a $300 million loan, against which they were allocating $46 million for the facility in Sukkur and the reaming amount of $254 million could be given to the CMCH in Larkana and the Sujawal DHQ.

The chief minister directed the health department to submit the necessary documentation to the Korean Bank so that the soft loan could be released at the earliest.

Published in The Express Tribune, November 12th, 2019.

https://tribune.com.pk/story/2097828/1-sindh-govt-acquires-loan-300m-korea-build-three-hospitals/

A VOTE OF CONFIDENCE FROM IMF?

By RECORDER REPORT on November 13, 2019

Pakistan seems to have secured high marks for its faithful adherence to the targets under the dollar 6 billion Extended Fund Facility (EFF) of the IMF for the period ended September, 2019. A statement issued by the Fund's staff after the completion of the 1st review stated that Pakistan had met all the performance criteria with comfortable margins, progress continues to be made towards meeting all structural benchmarks and government's policies had started to bear fruit, helping reverse the buildup of vulnerabilities and restore stability. External and fiscal deficits are narrowing, inflation is expected to decline and growth, although slow, remains positive. However, sustaining sound economic policies and advancing structural reforms remain key priorities to enhance resilience and pave the way for stronger and sustainable growth. International partners remain committed to supporting the authorities' reform efforts and providing necessary financing assurance but additional work is needed to improve the AML/CFT framework before March, 2020.

On the macroeconomic front, signs of economic stability are gradually taking hold, external position is strengthening, underpinned by an orderly transition to a flexible, market-determined exchange rate and a higher-than-expected increase in SBP's net international reserves. Budgetary collections are growing despite the ongoing compression in imports, inflationary pressures are expected to recede soon, measures to strengthen the social safety net are being implemented and development spending is being prioritised. However, domestic and international risks remain while structural economic challenges persist. Fiscal vulnerabilities, in particular, need to be reduced by implementing the new public finance management legislation and continuing to broaden the tax base by removing preferential tax treatments and exemptions while protecting critical social and development spending. The IMF Mission Chief acknowledged the government's efforts in meeting targets and praised it for introducing far-reaching economic reforms in a challenging environment.

We feel that this is probably the best economic review the authorities of the country could aspire or hope for in a challenging economic environment and that too from the IMF that is arguably the top-ranking institution in the world, famous for its in-depth and dispassionate analysis of the situation. It may be noted that such a review was necessary to get further funding under the EFF arrangement. The Fund Mission led by Ernesto Ramirez Rigo had visited Islamabad from October 28 to November 8, 2019 to conduct discussions on the first review of the EFF. An agreement reached between Pakistan and the Fund Staff is now subject to approval by the IMF management and Executive Board of Directors. A satisfactory completion of the review will enable the Fund to disburse SDR 328 million or around dollar 450 million to Pakistan besides helping unlocking significant funding from other multilateral and bilateral sources. This is so because the analysis of the economic situation by the IMF is usually considered a gospel and other donors and investors generally follow its lead. Although nobody could say with 100 percent certainty, there seems to be no doubt that Fund's Board of Directors will now approve the second tranche of EFF without raising any objections. There was also no need to request the Board for waivers as all the conditionalities have been met. However, the IMF Mission seems to be rightly concerned about the progress on AML/CFT. If enough progress is not made by March, 2020, Pakistan could face a serious situation. The Fund also appears to be worried about improvement in fiscal situation and rightly concerned about the vulnerabilities in this regard. The present government seems to be trying its level best in this area even at a great political cost but tough resistance from certain groups and the opposition parties is making the task of the fiscal authorities much harder. Of course, if the present dispensation finds itself in a very tough spot and is forced to change its course in this area, the economy of the country could again destabilise and reach a critical point. In order to avoid such a possibility, the government needs to take the opposition parties into confidence and publicise and remind the people again and again that the direction of the economy has now been changed for the better, twin deficits have been narrowed, foreign exchange reserves have reached a conformable level, rupee rate has been stabilised, development spending has been prioritised and international financial institutions are no more avoiding the country. The rate of inflation about which all the opposition parties are making a hue and cry is also coming down. In any case, inflation rate of about 11 percent in a year, though not very desirable, is not something catastrophic, especially when it is likely to move downward in the near future with the right mix of policies.

https://www.brecorder.com/2019/11/13/543830/a-vote-of-confidence-from-imf/

$250M WORLD BANK LOAN TO HELP IMPROVE HUMAN CAPITAL

The Newspaper's Reporter Updated November 14, 2019

ISLAMABAD: The World Bank is considering providing a loan of $250 million to Pakistan to strengthen the civil registration and vital statistics (CRVS), health and education systems essential for human capital accumulation, and improving the contribution of women and girls to economic productivity, and federal safety nets to respond to shocks in a more efficient manner.

According to the World Bank, the proposed operation is the first in a series of two Development Policy Credit (DPC) operations for the project known as ‘Securing Human Investments to Foster Transformation (Shift). The project is being prepared as part of a package including the resilient institutions for sustainable economy, aimed at supporting medium-term structural reforms over the next three years focusing on fiscal management, growth and competitiveness, and human capital outcomes for productivity gains.

Currently, Pakistan is not investing enough in its people to accelerate better human capital outcomes, and the country scores low in the World Bank Human Capital Index. As the index is directly linked to productivity, if no changes in human capital accumulation take place, a Pakistani child born today is expected to be only 40 per cent as productive as he or she would be when turning the age of 18.

Published in Dawn, November 14th, 2019

https://www.dawn.com/news/1516595/250m-world-bank-loan-to-help-improve-human-capital

PAKISTAN’S NON-PERFORMING LOAN RATIO WORSENS TO 8.4PC: ADB

November 14, 2019

ISLAMABAD: Pakistan’s non-performing loan ratio has increased from 6.9 percent of gross loans in 2006 to 8.4 percent in 2018, said Asian Development Bank on Wednesday.

The Asian Development Bank (ADB) report titled “Asian Economic Integration Report 2019-2020, demographic change, productivity, and the role of technology” states that Pakistan wants to introduce a single visa for tourists visiting the Central Asia Regional Economic Cooperation (CAREC) sub-region, to both facilitate tourist movement and increase the likelihood of tourists doing multi-country visits, increasing the average time of stay and spending per tourist.

The report further maintained that in strengthening intra-sub-regional ties, this would also help CAREC “brand” itself better as a future tourist destination for visitors from other countries in Asia—which make up at least 60 percent of its market.

Pakistan has recently introduced changes to its visa policy — 50 countries are eligible to apply for a visa-on-arrival under the tourist category, while its online visa system is open to 175 countries.

Visitors from Southeast Asia have become more Asian-centric. Its shares of intra-sub-regional (38.7%) and inter-sub-regional (43.4%) tourism have grown relative to 2010. Intra-sub-regional visitors increased by around half a million in 2017, while inter-sub-regional arrivals recorded brisk growth (7.2 million visitors more than in 2016), especially Myanmar and Viet Nam.

The report further stated that across Asian economies, Bangladesh has the highest intensity ratio, exceeding 1 which indicates stronger trade linkages with regional value chain (RVCs) than global value chain (GVCs). It was followed by Nepal with an intensity score of 0.88 and Pakistan at 0.87. These countries highly specialize in the textiles and textile products sector, and leather and footwear sector. Their production networks are mostly linked sub-regionally with India and intra-regionally with the PRC.

Among Asian economies, Myanmar saw its soybean exports to the PRC grow fivefold (from $16.9 million to $115.7 million), while Pakistan (52.6%) and Hong Kong, China (23.5%) also recorded higher growth. Meanwhile, some Asian countries—Bangladesh, Indonesia, Japan, Malaysia, Pakistan, Philippines, Republic of Korea, Thailand, and Vietnam — also benefited from the reallocation of US soybean exports. The countries received a combined share to the US total soybean exports of 26.2 percent in H2 2018, an increase from 17.1% in H2 2017 (equivalent to $584 million).

Large declines in PRC imports from the US also occurred in cotton, particularly on yarns used as intermediate goods. The US bilateral cotton exports declined by 27.1 percent in H2 2018 ($89.5 million). The PRC also reduced its imports from Pakistan, Australia, Japan, Italy, and Turkey (worth $385.3 million). However, this was more than offset by large exports of $534.9 million from India; Hong Kong, China; and Kazakhstan, and $388.1 million from Brazil. The US, on the other hand, diverted $163.4 million in cotton exports to the top Asian textile and garment exporters—Viet Nam, Pakistan, and Bangladesh.

The report further maintained that CAREC 2030 has a broader agenda which focuses on five operational clusters: (i) economic and financial stability; (ii) trade, tourism, and economic corridors; (iii) infrastructure and economic connectivity; (iv) agriculture and water; and (v) human development.

In August 2019, the First CAREC Capital Market Regulators' Forum was convened with co-sponsorship of the Securities and Exchange Commission of Pakistan, where senior officials from CAREC member countries and business leaders discussed reforms promoting financial access and private sector development through strengthened regional cooperation and integration in capital markets.

In the energy sector, the flagship Turkmenistan– Uzbekistan–Tajikistan–Afghanistan–Pakistan power interconnection framework and Central Asia—South Asia Electricity Transmission and Trade Project continue to progress. Also, the Turkmenistan–Afghanistan– Pakistan–India (TAPI) Natural Gas Pipeline Investment Agreement was signed among pipeline shareholders in 2016, and investment for the first phase of TAPI project is under discussion.

Aging populations could be a boon to economies in the Asia and Pacific region if governments adopt technology policies that improve elderly people's health, extend skills and working lives, and facilitate job matching, maintained the report.

"The aging trend is irreversible in much of Asia and the Pacific, but governments could turn that into a 'silver dividend'," said ADB Chief Economist Yasuyuki Sawada. "Today's elderly are better educated and healthier than in the past. The right policies on technologies could extend working lives, generating a substantial contribution to the overall economy."

The average healthy life span increased by nearly 7 years from 57.2 to 63.8 years between 1990 and 2017 for the economies in Asia and the Pacific. The average years of education among 55 to 64-year-old people also increased from 4.6 in 1990 to 7.8 in 2015.

Exact measures that should be taken depend on an economy's specific aging and education profile but broadly one of four types: fast or slow aging and above or below median education levels.

Countries that are fast aging and have above-median education levels would benefit from adopting automation and labor augmenting technology to supplement the low supply of labor for routine work, while countries with slow aging and below-median education levels could prioritize technical applications in education to help a younger population access high-quality education.

Regardless of the aging and education profiles, the report calls for a rethink of education and skills training to include lifelong learning as well as the adoption of technologies and approaches to make work and workplaces more suitable for older employees. Labor market, social security, and tax system reform would also encourage older people to continue working. Lastly, policies that ease the movement of capital, labor and technology across borders would be useful to help countries at different stages of demographic transition and technological adoption to cope with.

The report notes that regional economic cooperation remains strong in Asia and the Pacific, providing a buffer against the effects of global trade tensions. The latest Asia-Pacific Regional Cooperation and Integration Index, based on 2017 data, shows infrastructure and connectivity made the largest advance but overall regional integration fell nonetheless due to a drop in the money and finance measure. East Asia and Southeast Asia are most integrated with Asia as a whole, while Central Asia and South Asia trail the region's average.

Asia's and the Pacific's trade is expected to decelerate further in 2019 amid slowing global economic growth. The region's share of intraregional trade by value remained a robust 57.5 percent of global trade in 2018, up from the average of 56.3 percent in 2012–2017. Asia's inward and outward foreign direct investment grew in 2018, while remittance inflows hit a record $302.1 billion last year.

https://epaper.brecorder.com/2019/11/14/1-page/810080-news.html

TOMATOES AND THE IMF

By Dr Pervez Tahir Published: November 15, 2019

What have tomatoes got to do with the IMF? Well, everything. At the presser called the other day by the dream economic team to announce success in the IMF review, those asking questions were not interested. They had heard it all before. Representing the intensifying public sentiment, they wanted answers on inflation, the prices of atta (wheat flour) and, of course, tomatoes. Tomatoes take the cake because the price per kilogram (kg) revealed by the team leader confirmed yet again the story that "Islamabad is located 20 kilometres (km) away from Pakistan".

Ordinary Pakistanis are bearing the brunt of an austerity regime that has no parallel in the country's economic history. They are not concerned with the targeting of an aggregate rate of inflation. What they face in the "ordinary business of life" — and this is the textbook definition of economics — is the galloping prices of necessities to keep the body and soul together. It is not that the government does not have information. On November 7, its own Sensitive Price Indicator (SPI) recorded in Karachi an average price of Rs150 per kg for tomatoes. Under the very nose of the economic team in Islamabad, the SPI showed the highest maximum price of Rs180 per kg. Out of a total of 51 items on the SPI, tomatoes topped the list of 19 items that registered an increase. The increase over the corresponding week of the previous year was 289%. As a matter of fact, the prices of only two of these items rose by less than 10%.

The combined SPI for all income quintiles rose by 19.03%. However, the lowest increase of 17.95% was enjoyed by the highest income quintile. This is an indication that the sacrifices imposed by the

IMF programme were not shared by each according to her/his ability. The highest increases of above 20% occurred in the third and fourth income quintiles. These are the groups that voted for PTI in droves.

A social unrest may be brewing. The people may have ignored the Maulana for his particular orientation or the two major opposition parties for their personalised dispositions. But it is not for nothing that a veteran like Chaudhry Shujaat Hussain has come out of retirement to advise the government to focus on rising prices and unemployment. Even the IMF's insistence on social safety nets and the latest advice for effective use of PSDP funding to spur growth and job creation betrays an apprehension of what might go wrong.

As for tomatoes, poor quality of seeds, some inclement spells of weather, end of formal trade and strict barriers on informal trade with India, fencing of the border with Afghanistan and the age-old system of an extremely exploitative supply chain have contributed to a short supply. While year-round supply is made possible by the different crop seasons in the provinces, storage and transport inefficiencies delay supplies to main centres of demand. Other than trade with neighbours, all sources of the malaise lie in the provincial domain. This is true not just in the case of tomatoes, but nearly all essential items of consumption. Yet our centrist inclination holds the federal government responsible for all ills, which in turn starts running around ineffectively to show it is concerned. Chief ministers happily let the federal government take the flak. In panic, it won't be a surprise if the federal government now allows imports from Iran, a border without any quarantine facility.

Too bad that the poor can't even use tomatoes as a WMD; it is beyond their means!

Published in The Express Tribune, November 15th, 2019.

https://tribune.com.pk/story/2099741/6-tomatoes-and-the-imf/

IMF PROGRAMME WELL ON TRACK

By FARHAT ALI on November 16, 2019

A staff mission of the International Monetary Fund (IMF) concluded its visit to Pakistan last week; it was all praise for authorities for over-performing on first quarter targets under the $6 billion Extended Fund Facility to pave the disbursement of $450 million early next month.

This is an encouraging development for Pakistan's economy, considering the red flag raised by the IMF on the dismal performance by many of the leading global economies.

Moody's Investors Service last Thursday lowered its 2019-20 growth forecast for India to 5.8% from 6.2% earlier, saying the economy was experiencing a pronounced slowdown partly due to long-lasting factors. The rating agency's projection is the most pessimistic so far and comes ahead of the International Monetary Fund's growth projections due next week.

IMF's new managing director Kristalina Georgieva last Wednesday said the global economy is witnessing a "synchronized slowdown" and its effect is "more pronounced" on emerging markets like India, indicating that the multilateral agency may revise downward its growth forecast for India in its biannual World Economic Outlook to be issued this week.

"In the US and Germany, unemployment is at historic lows. In some of the largest emerging market economies, such as India and Brazil, the slowdown is even more pronounced this year," she added.

Moody's said a prolonged phase of softer growth in India would dampen prospects for the government's fiscal consolidation plans and hamper its ability to prevent a rise in the debt burden, thus constraining the country's sovereign credit profile.

The IMF mission to Pakistan concluded: “Despite a difficult environment, program implementation has been good, and all performance criteria for end-September were met with comfortable margins. Work continues towards completing the remaining structural benchmarks for end-September."

The critical and most challenging issues that remain to be addressed are the outstanding reforms in the power sector and loss-making Public Sector Enterprises (PSEs). Both have been on the agenda of the IMF since the last one decade where both PPP and PMLN governments failed to deliver.

The IMF highlighted that “advancing the strategy for electricity sector reforms, agreed with international partners, is important to put the sector on a sound footing, and remove recurrent arrears and accumulation of debt".

The outstanding task include: a monitoring and incentive framework for strengthening the power sector's performance, including bill collection and distribution losses; improving distribution companies' governance; reducing or eliminating implicit government subsidies to particular economic sectors; assessing investment needs in the sector and designing an investment plan; and addressing the stock of circular debt to service the interest on accumulated power sector debt.

The incumbent government could have financially and politically gained much if it had from day 01 embarked on power sector reforms leading to sell-off of power generation and distribution companies in the public sector.

Also, it could have likewise gained immensely from restructuring and privatizing loss-makings PSEs.

Both the said privatization steps could have filled up government's coffers and the money so gained could have been utilized on the social sector programmes – which the incumbent government finds difficult to fund.

The other key issue is rising inflation which is now getting politically worrisome for the government. The IMF's take on the subject is: “The external and fiscal deficits are narrowing, inflation is expected to decline, and growth, although slow, remains positive." IMF expects inflation to be around 11.8 percent in FY 2020.

Exchange rate now appears steady and Rupee is likely to strengthen. The IMF said that “signs that economic stability is gradually taking hold are steadily emerging. The external position is strengthening, underpinned by an orderly transition to a flexible, market-determined exchange rate by the State Bank of Pakistan (SBP) and a higher-than-expected increase in SBP's net international reserves."

Important now is that the reforms set in motion must continue overriding political considerations – unlike previous IMF programs where difficult parts were left out due pressures from the market and opposition parties.

The Fund cautioned that “fiscal prudence needs to be maintained to reduce fiscal vulnerabilities, including by carefully executing the FY20 budget, implementing the new Public Finance Management legislation, and continuing to broaden the tax base by removing preferential tax treatments and exemptions".

What is still missing out is business transactions and flow of money in the market – both being highly important for economic growth. The winning combination consists of reforms and business transactions. One without the other is worrisome and needs to be addressed without any further loss of time.

(The writer is former President of Overseas Investors Chambers of Commerce and Industry)

https://www.brecorder.com/2019/11/16/544922/imf-programme-well-on-track/

NEWS COVERAGE PERIOD FROM NOV 18 TO 24

$500M SOUGHT FROM WB FOR IMPROVING FISCAL MANAGEMENT

Staff Reporter Updated November 20, 2019

ISLAMABAD: The government is seeking a loan of $500 million from the World Bank for a programme aimed at enhancing the policy and institutional framework to improve fiscal management.

According to details shared on Tuesday, the Resilient Institutions for Sustainable Economy (Rise) project will support the government's efforts to maintain macroeconomic stability while putting in place the foundations for sustainable growth. The World Bank executive board is expected to approve the request of loan in early 2020.

The proposed operation is the first in a programmatic series of three operations focused on enhancing the policy and institutional framework to improve fiscal management; and improving the regulatory framework to foster growth and competitiveness. The proposed series will be complementary to the two-year development policy series Securing Human Investments to Foster Transformation (Shift).

Published in Dawn, November 20th, 2019

https://www.dawn.com/news/1517676/500m-sought-from-wb-for-improving-fiscal-management

PAKISTAN PLEDGES $160M FOR 'LAST MILE' OF POLIO ERADICATION

NOVEMBER 20,2019

LONDON: Pakistan will provide $160 million to help fund a worldwide polio eradication plan that has taken decades to reach what global health specialists say is now the "last mile".

Donor governments and philanthropists, including Pakistan, have pledged $2.6 billion on Tuesday for the campaign. The funding-almost of half of which came in a single donation from the Bill & Melinda Gates Founadation-will be used to immunize 450 million children against polio each year, the World Health Organization (WHO) said in statement.

WHO Director General Tedros Adhanom Ghebreyesus said that by seeking to reach “every last child” with vaccines against the crippling viral disease, the Global Polio Eradication Initiative (GPEI) is coming ever closer to achieving a polio-free world.

The WHO last month announced an “historic step” in the fight to wipe out polio, certifying that the second of the three types of the polio virus had been eradicated globally. Global polio cases have been cut by more than 99% since 1988, but the type 1 polio virus is still endemic in Pakistan and Afghanistan, where it has infected 102 people this year.

That is a resurgence from a record low global annual figure of 22 cases in 2017. Polio invades the nervous system and can cause irreversible paralysis within hours. It cannot be cured, but it can be prevented by vaccination-and a dramatic reduction in cases worldwide in recent decades has been due to intense national and regional immunization campaigns for babies and children.

The $2.6 billion pledge will part fund the GPEI’s 2019-2023 “endgame strategy”. A total of $3.27 billion is needed to fully implement the plan, the WHO said. Donors made their pledges at a “Reaching the Last Mile” polio conference in Abu Dhabi. The funding includes $1.08 billion from the Gates Foundation, around $514 million from Britain, $215 million from the United States, $160 million from Pakistan and $150 million from the charity Rotary International.

https://epaper.tribune.com.pk/DisplayDetails.aspx?ENI_ID=11201911200302&EN_ID=11201911200101&EMID=11201911200036

SINDH GOVERNMENT, UNICEF SIGN RULING WORK PLAN 2020

By Our Correspondent Published: November 22, 2019

KARACHI: The Sindh government and The United Nations Children’s Fund (UNICEF) signed the Ruling Work Plan 2020 at a ceremony on Thursday to collaborate on various schemes pertaining to children’s protection, welfare and education.

Sindh Chief Secretary Syed Mumtaz Ali Shah and the UNICEF’s deputy representative signed the plan on behalf of the provincial government and the international agency, respectively.

Speaking on the occasion, Chief Secretary Shah said that the plan covers a range of projects including a survey to ascertain the number of children engaged in child labour, digital registration at the time of birth, the establishment of child protection units in all districts of the province and various education schemes. He said that the Sindh government and UNICEF both will furnish funds for the execution of mentioned projects.

The attendees of the ceremony were apprised of the details of the ‘Child Labour Survey’ by Sindh Labour Secretary Rashid Ahmed Solangi. He said that the survey will be launched with the assistance of UNICEF and stressed the timely approval for the recruitment of surveyors, enumerators and observers so that it is completed as scheduled.

At this, the chief secretary gave the approval for 432 appointments. These include the recruitment of 215 male enumerators, 72 female enumerators, 72 observers and 72 surveyors. Directing the labour department officials to ensure the timely completion of the survey, he said that the project will help the government in devising a policy in the relevant area.

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

https://tribune.com.pk/story/2104202/1-sindh-government-unicef-sign-ruling-work-plan-2020/

'WB TO FUND RESEARCH PROJECTS FOR SOCIO-ECONOMIC DEVELOPMENT'

By RECORDER REPORT on November 24, 2019

World Bank representative Dr Graham Harrison has said that World Bank would fund those research projects that would bring socio-economic development in the country and achieve sustainable development goals.

He was addressing a workshop on "Road show on New R&D Framework of HEC" organized by Higher Education Commission of Pakistan and Punjab University Office of Research, Innovation and Commercialization (ORIC) at here on Saturday. PU Dean Faculty of Engineering and Technology Prof Dr Taqi Zahid Butt, HEC Research and Development Director General Dr Zain ul Abidin, PU ORIC Director Prof Dr Arshad Javed, British Council representative Hajira Khan, directors of ORIC from a large number of universities from Punjab participated in the workshop.

Addressing the workshop through video link, Dr Graham Harrison said that Pakistani researchers should work on the academic ideas that could be commercialized. He said that research projects should resolve the problems being faced today. He said that World Bank encouraged technology transfer and promotion of innovation and entrepreneurship culture. He said that World Bank had allocated $700,000 for those research projects that would focus on resolving local issues.

Prof Dr Taqi Zahid Butt lauded the role of Higher Education Commission for promotion of research in universities. He said that academia was strengthening relations with industrial and corporate sectors with the help of HEC. He said that universities had important role in socio-economic development of the country.

Director General HEC Research and Development Dr Zain ul Abidin said that World Bank would give $400 million to HEC in the next five years out of which research grant would be $127 million. He gave a detailed presentation on various programmes of HEC to fund research projects. Hajira Khan gave briefing on Pak UK Education Gateway. Dr Arshad Javed said that the workshop would create awareness among researchers regarding available research grants for research projects. Later, a comprehensive question answer session was held in which speakers addressed various questions of participants.

https://www.brecorder.com/2019/11/24/547174/wb-to-fund-research-projects-for-socio-economic-development/

NEWS COVERAGE PERIOD FROM NOV 25 TO DEC 01

WB TO HELP KP DEVELOP NEW TOURIST SITES, ZONES

Bureau Report November 27, 2019

PESHAWAR: The Khyber Pakhtunkhwa Tourism Department and the World Bank have signed a Memorandum of Understanding (MoU) for a joint venture to develop new tourist sites and tourism integrated zones to facilitate tourists in the province.

Federal Minister for Economic Affairs Hammad Azhar, secretary Economic Affairs Division Noor Ahmed, secretary tourism, culture and youth affairs department, Khyber Pakhtunkhwa, Kamran Rehman, World Bank Country Director Illango Patchamuthu, its private sector senior specialist Kiran Afzal, KITE project director Tausif Khalid and other officials attended the MoU signing ceremony, said a press release issued by the provincial tourism department here on Tuesday.

It said that a number of uplift schemes to be completed under the 'Khyber Pakhtunkhwa Tourism Integrated Zones Development' project would boost tourism and facilitate tourists in the province.

According to the MoU, the WB would provide $70 million for the KITE under the project to develop new tourist spots and rehabilitate the existing attractions in the province.

Under the project, steps would also be taken to promote ecotourism to pave the way for environment-friendly projects in the tourism sector.

Development of new tourism zones, beautification and infrastructure development through investment projects in KP, widening and rehabilitation of roads, institutional uplift through sustainable tourism development, increasing tourism assets, planning public-private partnership, evolving strategy for environmental protection with the help of stakeholders, preservation of heritage sites and other tasks are part of the MoU.

A number of other initiatives, including strengthening environmental system, framing rules and regulations for existing and new tourist sites, and evolving a system for granting licence to organisations working in tourism sector, would be taken to facilitate tourists.

Promoting products and services in financial discipline system, roads and tracks construction, water and electricity supply and other development and reconstruction projects in tourism sector are part of the project.

Published in Dawn, November 27th, 2019

https://www.dawn.com/news/1519088/wb-to-help-kp-develop-new-tourist-sites-zones

$787M LOAN AGREEMENTS SIGNED WITH WORLD BANK

Khaleeq Kiani Updated November 27, 2019

ISLAMABAD: Pakistan and the World Bank on Tuesday signed five loan agreements of $787 million for development projects, majority of them for Karachi uplift.

The agreements were signed by Economic Affairs Division secretary Noor Ahmed, World Bank's country director in Islamabad Patchamuthu Illangovan and the representatives of governments of Sindh and Khyber Pakhtunkhwa and the National Transmission and Dispatch Company Ltd. Minister for Economic Affairs Hammad Azhar witnessed the signing ceremony.

The World Bank will provide $652m for three development projects in Karachi to support urban mobility, urban management and service delivery, improve water and sewerage services, tourism and power sectors.

The first loan of $382m was inked for Karachi Mobility (Yellow Line) Project that is expected to improve mobility, accessibility and safety along the yellow line Bus Rapid Transit (BRT) corridor in Karachi. The project will help to develop urban road infrastructure (Yellow Corridor), rehabilitation or reconstruction of road infrastructure along the yellow corridor, development and operationalisation of a BRT system and capacity building.

The Yellow BRT corridor was recently approved by the federal government with revised cost estimates of Rs61.436 billion. The Sindh government had proposed the Karachi Urban Mobility Project (Yellow Line Bus Rapid Transit) worth Rs65.968bn but the federal government had rationalised its cost estimates down to Rs61.4bn.

Karachi to get $652m for three development projects

The corridor starts at Dawood Chowrangi in the east, runs through the Korangi industrial area, and ends at Numaish Chowrangi. It is one of five priority lines in the city’s transport plan and will benefit commuters along Surjani Town and Korangi industrial area, and will reduce travel time, road traffic fatalities, and reduce emissions.

Another World Bank loan worth $230m will finance Competitive and Livable City of Karachi Project. The project is targeted to improve the performance of Karachi Local Councils and agencies in urban management, financing and service delivery and to improve the business environment for development of the private sector. The project is expected to help address some of the challenges of urban management service delivery and business environment being faced by Karachi by selectively tackling critical bottlenecks.

The project will help improve performance and service delivery by local councils through performance-based grants for urban property tax system, incentivise private sector participation in service delivery, enhance ease of doing business, and improve solid waste management.

Another loan worth $40m was signed for Karachi Water and Sewerage Services Improvement project (Phase-1). The project aims to improve access to safe water services and to increase Karachi Water and Sewerage Board’s financial and operational performance. The project is conceived as the first in a proposed series of projects that forms a long-term programme to address the serious water, sanitation and hygiene service gaps in rapidly growing Karachi.

The Executive Committee of the National Economic Council had approved the project a few weeks ago at a cost of $105.21m (Rs16.71bn) to improve water resources and quality of sewerage system in Karachi.

The three projects have come following the findings of the ‘Karachi Transformative Strategy’ that estimates infrastructure needs of between $9-10bn in financing over a 10-year period to meet infrastructure and service delivery needs of the country’s largest city through urban transport, water supply and sanitation, and municipal solid waste.

Also, a $70m loan for Khyber Pakhtunkhwa Integrated Tourism Development Project was signed to improve tourism-enabling infrastructure, develop tourism assets, and strengthen management for sustainable tourism development in KP.

Likewise, an additional financing agreement worth $65m was signed for Central Asia South Asia Electricity Transmission and Trade Project (CASA-1000) Project. The objective of the ongoing project is to create the conditions for sustainable electricity trade of 1,300MW between Central Asian countries (Tajikistan and the Kyrgyz Republic) and South Asian countries — Pakistan (1,000MW) and Afghanistan (300MW).

Minister for Economic Affairs Hammad Azhar on the occasion said that the signing of five projects worth $787m was an expression of resolve of the World Bank to support the development agenda of the present government. He thanked the World Bank for extending its continuous support to the government in its efforts to achieve sustainable economic development in the country.

The World Bank country representative appreciated the reforms initiatives of the government and said the lending agency would extend possible support and facilitation to help put Pakistan's economy back on track.

Published in Dawn, November 27th, 2019

https://www.dawn.com/news/1519062

DECEMBER 2019

NEWS COVERAGE PERIOD FROM DECEMBER 02 TO 08

ADB SET TO DEBATE AID TO LARGE ECONOMIES

Reuters Updated December 03, 2019

TOKYO: The Asian Development Bank must be ready to discuss whether to phase out aid to high- and medium-income borrowers like China, the institution's next president Masatsugu Asakawa said.

Asakawa, who will take the helm in January, also said that while China's economy was likely to slow, Beijing is expected to engineer a smooth landing that will help Asia achieve a moderate pick-up in growth next year.

"Deep-rooted, structural problems have led to a gradual decline in China's potential and real economic growth. A slowdown in Chinese growth is unavoidable," he told Reuters.

"Given its huge size, a hard-landing will have a huge impact not just on China but on the global economy. We hope China engineers an orderly soft landing. I'm sure the authorities are fully mindful of the need for that," he said on Friday.

Despite its ageing population, excess capacity and bad debt problems, China has become the second-largest economy in the world.

That has led some to say it should no longer receive loans from the ADB, a Manila-based multilateral lender whose aim is to lift hundreds of millions of Asians out of poverty.

Asakawa was cautious about drawing a quick conclusion on a move that would no doubt be unpopular in China.

"There need to be thorough discussions" among ADB members about deciding how to phase out loans to high- and medium-income borrowers, he said.

"It depends on how discussions unfold," he said, when asked whether ADB aid to China could soon be phased out.

Asakawa said any such decision must be based on criteria such as whether the country has access to capital markets at a reasonable cost and the stage of development of its economy.

Incumbent head Takehiko Nakao had rebuffed the idea of China coming off ADB aid any time soon, saying in April that he saw value in continuing to lend to the country.

The ADB said on Monday that Asakawa, a former top Japanese currency diplomat, will succeed Nakao as its next president.

Asakawa said he hoped to boost ADB efforts to help low-income countries invest more in human capital, address gender inequality that hampers growth, and mitigate the damage incurred from climate change.

"I don't agree with people who say economic growth and environment-friendly policies cannot co-exist," he said, adding that poverty was one of the reasons behind climate change and environmental destruction.

"Poverty and environmental issues are interwined. We need to find a way to address both issues." Founded in 1966, the Japanese-led ADB has 68 member countries ranging from struggling Bangladesh and Pakistan to booming China and India, with its largest donations coming from Japan and the United States.

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https://www.dawn.com/news/1520124/adb-set-to-debate-aid-to-large-economies

INEQUALITY: THE GAPING HOLE IN IMF TEMPLATE

By SHABIR AHMED on December 5, 2019

There is general consensus that the IMF programme is disruptive but necessary. Also, now that we are in it we should see it through. We need to fix our fiscal and external accounts before we can go for sustained growth. Growth driven by the politically expedient overheated economy is not a viable option.

There is also consensus, somewhat grudging, that elitism is the bane of the system. It is what defies responsible and responsive governance. The badly needed root-and-branch reform of the policy apparatus will remain illusory if elite capture persists.

Then there is the strong consensus on quality and adequacy of Human Capital. Poor human capital has been the major propellant in our race to the bottom of competitiveness. In all likelihood it will get worse with the demographic 'bulge'.

The fear is inequality will get perpetuated if we pursue our economic growth, pluralism, and human development objectives the way we have traditionally done.

Let's take human capital. There is convincing evidence that early childhood experiences – birth weight, nutrition, parenting, the overall environment – play a key role in later outcomes. Typically, we have approached human development by throwing money at the problem; picking the low hanging fruit without addressing the issues of disparity.

What prospects of advancement or social mobility would that child of illiterate parents in a far flung village of Kharan district have when pitched against the Gulberg kid with private school education and professional parents?

Higher education can do with dollops of public funding but how would the Kharan kid access it? Chances are even primary education will pass him by. Our human resource development plans are stacked against the less privileged. The gap is widening and shall continue to do so absent a paradigm shift in our approach to development.

With luck, the IMF formula will give us macroeconomic stability. With greater luck, and over time, it will give us respectable GDP growth numbers. But there is little in the programme to address inequalities. Most likely, the better off will benefit leaving the poor to ‘take the hindmost'.

Literature is quite unequivocal: the rising tide does not lift all boats. Economic growth pays differentiated dividends. If the pie gets bigger the powerful will get an even larger slice. The equality gap will widen.

It is universally accepted that inequality impedes economic development at the individual and aggregate levels. There is also sufficient evidence that rising inequality is accompanied by slower GDP growth. The enigmatic question is which way the causation goes: low growth exacerbates inequality, or inequality stymies growth?

Guess the answer depends on the extent and persistence of inequality. Where it is widespread and growing it will almost certainly become a dragon growth. Of course, measuring income and wealth inequality is ‘fiendishly complicated', as the flurry of new research questioning the methodology and findings of Piketty, Saez, Zucman – the flag bearers of rising inequalities – demonstrates. Data-driven discoveries, however, are unnecessary when inequality stares you in the face.

As long as you have inequalities – in our case these are deeply entrenched and go back several millennia – you cannot put elitism to sword. Change can come only through the political process -but the elite have the wherewithal to distort and control it! The grip on social and political power that economic power gives you tilts economic outcomes in your favour.

Tax policy is an obvious example. Wealthy interests use their heft to secure concessions – agricultural income tax, capital gains on stocks and real estate, final tax regimes – that denude the tax base and force a shift to excessive indirect taxation.

The uncritical embrace of free market, the IMF prescription that by definition promotes inordinate market power, is now being vigorously challenged. The issues of inequality are rearing their head. Heather Boushey's recent book, Unbound: How Inequality Constricts our Economy, is representative of the genre questioning mainstream (neoclassical) economics.

Take Skidelsky who reflects on how Central Banks have been frantically printing money (since 2008) to create inflation without succeeding. The data tends to shatter the religiously-held premise that printing money creates inflation. He poses the question: does money supply drive prices or prices drive money supply?

Prof Graeber's concern that Economics is beginning “to look like a science designed to solve problems that no longer exist" resonates with the Academia.

Now “The typical course in microeconomics spends more time on market failures….than the magic of competitive markets ….The typical macroeconomic course focuses on how governments can solve the problems of unemployment, inflation, and instability… At research level, distributional considerations are making a comeback" note three eminent Professors of Economics (Naidu, Rodrik, and Zucman) in a recent article.

Quite clearly, contemporary economic thought is experiencing tectonic shifts, bringing to the fore the old issues of inequality and redistribution. How au courant are our Economists with what is reshaping their discipline?

It will be safe to surmise our economists, the ones we lend our ears to, got their PhD some forty years ago. Those were the days when Keynesianism was getting overtaken by monetarism; when the magic of free market was becoming the gospel and trickle-down theory the riposte to the travails of the poor.

Most of them also drew their inspiration from the conventional wisdom of the Bank and the Fund that even today reeks of Thatcherism, despite some bold new thinking in the Staff reports that ‘fling the stone that puts the stars to flight'.

When the PM says his first priority is to redress inequalities it is music to some 200 million deprived ears. The problem is he has so many priorities that one is lost trying to figure out which priority takes precedence over the other priority. And we will not grimace at the implementation capacity he commands!

Isn't it ironic that the executive ‘taunts' the judiciary to do for the weak what it is itself obligated to do under the Constitution?

We admit reducing inequalities is not an easy task. Equally, it is going to take the rest of the government's term, assuming the PM really means what he says, for results to start flickering.

But do it we must – if we want to set our politics right, have inclusive growth, and are serious about the state of Medina. Another taskforce?

https://www.brecorder.com/2019/12/05/550559/inequality-the-gaping-hole-in-imf-template/

BORROWING SOARS TO $10.4B IN PTI’S FIRST YEAR IN POWER

By Shahbaz Rana Published: December 5, 2019

ISLAMABAD: Prime Minister Imran Khan’s government took $10.4 billion worth of foreign loans in its first year in power and 46% of these were short-term expensive commercial lending, secured at up to 5.5% interest rate.

The most expensive commercial loans were obtained from Chinese banks that were contracted at six-month Shanghai Interbank Offered Rate (Shibor) plus 2.5%, according to the information that the Pakistan Tehreek-e-Insaf (PTI) government on Wednesday submitted before the National Assembly.

However, Chinese commercial loans were secured for two to three years period while the European and Gulf-based commercial banks provided loans for one year.

The six-month Shibor rate was 3%, translating the total interest rate cost to 5.5%. The Economic Affairs Division tabled the details in response to a question raised by the Pakistan Muslim League-Nawaz (PML-N) Member National Assembly Muhammad Afzal Khokhar.

Pakistan took the International Monetary Fund (IMF) loan at interest rate of 4%, according to the fresh details – the cost that was higher than the 3% rate earlier reported by the Ministry of Finance.

These foreign loans were obtained from August 2018 to September 30, 2019. The $10.4 billion loans are exclusive of disbursements by China, United Arab Emirates and Qatar. The loans from these countries are not booked on the books of the federal government. All these loans have been obtained to stabilise foreign exchange reserves, finance the development projects and repay the maturing foreign loans.

Before coming into power Prime Minister Imran Khan was very critical about taking foreign loans. But after coming into power, the premier is implementing the same policies, which were applied by the PML-N government to temporarily inflate foreign exchange reserve, like the foreign commercial loans.

The PTI government obtained loans of $10.4 billion from various countries and organisations from August 18 to September 30, 2019, according to the official statistics. Out of the $10.4 billion, the PTI government took $4.8 billion from seven commercial banks, which were equal to 46% of the total borrowings.

From August 2018 to September 2019, the PTI government took $4.8 billion worth of foreign commercial loans, according to the EAD. The government took $365 million loan from the Ajman Bank at 3-month London Interbank Offered Rate (Libor) plus 3.44%, which was equal to 5.36% interest rate.

The government took another $2.235 billion from three Chinese banks at an interest rate of six-month Shibor plus 2.5% for a period of three years. It also obtained $300 million from another Chinese bank at three-month Libor plus 3.25%, according to the EAD.

Pakistan obtained $150 million from Citi Bank at around 5.3% interest rate for one year, $560 million from Noor Bank and Dubai Islamic Bank at 5.1% interest rate for one year, $195 million from Dubai Islamic Bank at 5.12% interest rate for one year, $500 million from Emirates NBD bank for one year at 5.27% interest rate and $650 million from Credit Suisse for one year at around 5.27% interest rate for one year too.

The Libor and Shibor based rates have been converted on the prevailing rate on Wednesday. The cost may slightly go either up or down, depending upon movement of interest rates.

The PTI government took $1.8 billion loans from the bilateral creditors in its first year in power, according to the EAD. It obtained $1.53 billion loan from China at various interest rates and maturity period. The $1.3 billion loan was obtained for a period of 20 years at interest rate of 2%. The repayments of these loans would begin after five to seven years.

China also extended $182.4 million loan at 5.2% interest rate for a period of 12 years. Beijing gave $14.4 million interest free loan for 20 years. France gave $68.6 million loan for 15 to 20 years at around 3% interest rate.

The cheapest loan of $62.5 million was given by Japan for a period of up to 40 years at very low interest rates. Saudi Arabia gave $10 million at 2% interest rate for 20 years and $141.7 million at 3.8% interest rate for 2 years. The two-year loan is probably under the oil financing facility.

The share of the multilateral lending stood at $2.8 billion or slightly above one-fourth of the total loans obtained by the PTI government in its first year in power. The World Bank gave $556 million concessional loan for up to 30 years at interest rates ranging from 2% to 3.4%.

The Islamic Development Bank gave $922.8 million loan at interest rates ranging from 2.5% to 4.7%.

Parliamentary Secretary for Finance Makhdoom Zain Hussain Qureshi told the National Assembly that the official foreign exchange reserves that stood at $8.9 billion as of November 26 2019, have slipped to $7.9 billion this week after the government paid $1 billion Sukuk bonds.

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https://tribune.com.pk/story/2111842/2-borrowing-soars-10-4b-ptis-first-year-power/

GOVT TRYING TO GET $9BN CHINESE LOAN FOR RAILWAY PROJECT AT 2PC

Khaleeq Kiani Updated December 06, 2019

ISLAMABAD: No allocations would be made in the next budget for unapproved projects and efforts are in progress to secure a $9 billion Chinese loan for Main Railway Line (ML-1) at around two per cent interest, a Senate committee was told on Thursday.

At a meeting of the panel, federal Minister for Planning, Development & Reforms Asad Umar said he had issued directives that no unapproved project should be included in the next Public Sector Development Programme. No project will be included in the PSDP in future till land is purchased for it.

He said it would also be settled in advance whether a project would be funded by the federal government or the province concerned. “We have seen the fate of Karachi Green Line and other projects,” the minister said while referring to cost escalations and delays in various projects due to undecided issues.

The meeting of the Senate Standing Committee on Planning, Development & Reforms, presided over by Senator Agha Shahzaib Durrani, discussed various issues related to Nai Gaj dam, ML-I, toll tax on Motorway and G.T. road and new projects.

No allocations in next budget for unapproved projects, Senate committee told

The committee emphasised the need to improve fencing on motorways and their enhanced surveillance, besides maintenance of Grand Trunk Road on priority to avoid wear and tear of vehicles and safety of passengers.

Discussing the issues relating to design and upgradation of ML-1, a senior officer of the Ministry of Railways told the committee that 80pc design work of the 1,680km project had been completed. “The project is going to cost more than $9bn and the government is trying to secure loan for it at around 2pc interest,” he said. If the loan was obtained, he added, it would be the lowest interest rate among all the projects on the China-Pakistan Economic Corridor portfolio.

The meeting was told the project was anticipated to generate 20,000 direct and 150,000 indirect jobs and would be completed in three phases. Under phase-I, four sections will be completed in three to four years.

The project will increase line speed and capacity and freight volume. The speed of passenger train will increase from the current 65 to 110km to 160km per hour, while freight train will be operated at 120km per hour from almost half the speed at present.

The committee directed the officials concerned to submit traffic count of major motorway projects — M1, M2 and M9 — within a week. Keeping account of traffic congestion, it was recommended that a traffic strategy must be formulated as early as possible to ensure smooth and safe traffic in the country.

Discussing compliance on the committee’s recommendations, its chairman said Wapda was holding the Planning Commission responsible for delay in construction of Nai Gaj dam in Sindh. The meeting was informed that letters had been issued to Wapda and other relevant agencies to take action against those responsible for the delay. The panel decided to have an exclusive meeting on the issue and directed that a response from the Department of Irrigation, Government of Sindh must be sought within a week.

Taking up the issue of 300 scholarships for girl students of less developed areas, the committee was informed that a proposal had been finalised on the matter. However, its implementation will begin in conjunction with the Ehsas Programme that envisages award of 50,000 scholarships. The committee decided to wait until the programme was launched and the Higher Education Commission submitted a detailed report to examine the entire episode in depth.

During discussion on special seats in medical colleges / universities for students belonging to the tribal districts and Balochistan, the committee was told the Pakistan Medical Comm-ission would address the matter later. Minister Umar assured the panel that he would personally take up the matter with the Prime Minister’s Adviser on Health Dr Zafar Mirza and the issue could also be raised at the Council of Common Interests. The matter will also be referred to Senate Standing Committee on Less Developed Areas.

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https://www.dawn.com/news/1520698/govt-trying-to-get-9bn-chinese-loan-for-railway-project-at-2pc

ADB OKAYS $1.3BN LOANS FOR PAKISTAN

Khaleeq Kiani December 07, 2019

ISLAMABAD: The Asian Development Bank (ADB) on Friday approved $1.3 billion in loans for Pakistan for emergency budgetary support, chiefly through a relatively expensive crisis response facility.

The Manila-based lending agency announced that its board of directors had app-roved two loan progra-m-mes to help Pakistan build foreign exchange reserves viewed as critically low at present. The quick-disbursing loans would be available to Pakistan next week.

The loans include a $1bn Special Policy-Based Loan (SPBL) typically meant for emergency situations and involves about 4 per cent interest rate as it is a relatively short-term loan for seven years and charged at London-InterBank Offered Rate (Libor) plus 2pc. This is the first time Pakistan is availing ADB's emergency loan for budget support.

Another $300 million loan for energy sector reforms for 20 years and five years grace period will be available to Islamabad at 2pc interest.

The two loans are in addition to $10.368bn obtained by the current government during the period between Aug 18, 2018 and Sept 30, 2019 from various institutions and governments, according to a written statement by Minister for Economic Affairs Hammad Azhar to National Assembly on Wednesday.

The two loans approved by the ADB would "meet the government's emergency financing needs to prevent significant adverse social and economic impacts and lay the foundations for a return to balanced growth," said ADB's Director General for Central and West Asia Werner Liepach.

The SPBL is used to address external and internal payments crisis by providing large-scale support as part of an international rescue effort, including the International Monetary Fund (IMF) and the World Bank. "The special characteristics of crisis-related lending, particularly its unanticipated character and exceptional scale, and the associated credit risk require adequate risk-bearing capacity at the side of ADB to back up such lending," according to ADB's website.

Another dimension that would justify ADB intervention is when the crisis has significant structural dimensions and is likely to have significant negative social impact. To avail itself of assistance under an SPBL, a developing member country must be regular ordinary capital resources.

The lending agency said "quick dispersing SPBL was part of a comprehensive multi-donor economic reform programme led by the IMF to stabilise Pakistan's economy after a major deterioration in its fiscal and financial position in mid-2018 caused growth to slump and threatened progress in alleviating poverty.

The ADB's financing was approved after the government implemented a series of IMF-supported reforms and actions to improve its current account deficit, strengthen its revenue base and protect the poor against the social impact of the economic crisis.

The ADB said Pakistan was facing significant economic challenges on the back of a large balance of payments gap and critically low foreign exchange reserves together with weak and unbalanced growth. While the country's economy has a history of boom and bust economic cycles, it reached a tipping point in 2018 after foreign investment shrank sharply in an uncertain political and global economic environment and the ongoing poor performance of state-owned enterprises caused public debt to reach unsustainable levels.

In July, the IMF approved a three-year $6bn Extended Fund Facility (EFF) to finance the government's economic reform programme that aims to put Pakistan's economy on the path of sustainable and inclusive growth. The EFF is expected to catalyse at least $38bn in financing from

Pakistan's development partners. ADB has committed to provide a total of $2.1bn in policy-based lending during fiscal year 2019–2020 to support the reform programme.

The ADB explained that it also approved another $300m policy-based loan that will help the government address financial sustainability, governance, and energy infrastructure policy constraints in the Pakistan's energy sector.

This will support the first of three sub-programmes totalling $1bn under the Energy Sector Reforms and Financial Sustainability Programme, a key component of a comprehensive IMF-led multi-donor economic reform programme.

"The cash shortfall across the power supply chain in Pakistan, also known as circular debt, has shot up to more than $10bn and is a longstanding chronic issue ailing the country's power sector," said Mr Werner Liepach. A comprehensive and realistic Circular Debt Reduction Plan assisted by the ADB in close coordination with other lenders aims to drastically cut the new flows of circular debt and provide policy directions on addressing accumulated circular debt.

The ADB said Pakistan had made significant efforts in recent years to expand its electricity generation capacity and stabilise supply but was yet to overcome the challenge of inefficiencies, distortions, and uneven reform progress in the sector. These inefficiencies were estimated to have cost the country's economy up to $18bn, or 6.5pc of gross domestic product, in 2015.

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https://www.dawn.com/news/1520906

PAKISTAN'S CIRCULAR DEBT RISING BY RS21B PER MONTH: ADB

By Shahbaz Rana Published: December 8, 2019

ISLAMABAD: Contrary to Pakistan Tehreek-e-Insaf (PTI) government's claim of reducing the flow of circular debt to Rs12 billion a month, the Asian Development Bank (ADB) has showed a monthly increase of Rs21 billion in the debt at the end of August.

If the ADB's claim is true, it raises questions over the government's claim of a huge improvement in the energy sector.

The PTI government has brought improvement in the energy sector as compared to what the Pakistan Muslim League-Nawaz (PML-N) government had left behind.

Government's efforts and timely subsidy payments have slowed down the flow of circular debt from Rs38 billion per month in August 2018 to Rs21 billion in August 2019, stated an ADB report which became the base for approval of a $300-million energy-sector policy loan by the ADB board on Friday.

The report has been shared with the ADB president and its board of directors. If one goes by the ADB's findings, the federal government seems to have exaggerated its performance, which can severely dent the credibility of the Ministry of Energy.

On August 28, Special Assistant to the Prime Minister on Petroleum Nadeem Babar said “the government has reduced the monthly circular debt to a single digit due to effective policies”. Similarly, while speaking at a press conference on October 3, Federal Minister for Power Omar Ayub said during the tenure of PML-N government, the circular debt was rising by Rs38 billion per month but “it has now been reduced to Rs10-12 billion per month”.

Last month, The Express Tribune asked Nadeem Babar about the reasons behind the different claims made by the government and international creditors. Babar replied that the reason behind the different numbers were different base months.

However, following the release of ADB report, it is now evident that the ADB and the government were not taking different months into account for reporting the circular debt.

The ADB has acknowledged Rs89 billion on account of efficiency improvement and an anti-theft programme since November 2018.

Pakistan and the ADB have agreed on a three-year energy-sector reform programme in return for a loan of $1 billion, which will be disbursed in three tranches subject to fulfillment of prior conditions. Some of the conditions have already been met including a quarterly increase in electricity tariffs, which paved the way for approval of the first tranche of $300 million on Friday.

The ADB noted that between fiscal year 2019-20 and 2021-22, a declining GDP growth rate with an average of 3.3%, coupled with a rising inflation on average of 9.1%, would continue to constrain government finances. The government’s external financing needs were expected to be $29.9 billion in the current fiscal year and continue to increase by 2024, it added.

The ADB stated that the total amount of circular debt was a threat to the economy and the immediate priority was to stop further accumulation, or the flow, of circular debt and subsequently address the stock reduction.

As a result of tariff notifications in 2019 after a hiatus of three years, the government will recover an additional Rs470 billion from the electricity consumers. The tariffs are now based on the new uniform tariff mechanism according to amendments to the National Electric Power Regulatory Authority (Nepra) Act, which incorporates budgeted subsidies and cross-subsidisation among distribution companies to help control sector deficits.

After the International Monetary Fund (IMF), the PTI government has also committed to the ADB that it will surrender the executive powers to notify the increase in electricity tariffs by amending the Nepra Act.

The deadline to submit the draft bill to parliament is the end of current month.

By amending the Nepra Act, the increase in electricity tariffs will be done through an automatic mechanism to update power generation costs in tariffs in each quarter without a government notification, according to the ADB report.

Generation costs accounted for more than 75% of end-user tariffs currently and the automated mechanism would prevent the backlog of system costs even if tariff notifications were delayed, it added.

In order to secure the next loan tranche of $300 million, the PTI government has promised the ADB that electricity tariffs for fiscal year 2020-21 will be finalised before the start of the year in July 2020. The PTI government has also assured the ADB that the accumulation of circular debt will be kept below Rs120 billion in the current fiscal year, which means that prices will be raised further as the flow still remains above Rs12 billion a month.

Another condition for the next tranche is that Pakistan will have to secure the approval of Council of Common Interests (CCI) for the National Electricity Policy 2019 and the Integrated Energy Plan.

Published in The Express Tribune, December 8th, 2019.

https://tribune.com.pk/story/2113637/2-pakistans-circular-debt-rising-rs21b-per-month-adb/

WORLD BANK STUDY SHOWS RS1 TRILLION NEEDED TO DEVELOP KARACHI, SAYS CM MURAD ALI SHAH

Our Correspondent December 8, 2019

Sindh Chief Minister Syed Murad Ali Shah has said that he has had a "Karachi Diagnostic Study" conducted by the World Bank, which has revealed that Rs1 trillion is required to develop Karachi.

This he said while addressing the inaugural ceremony of seven development projects built at a total cost of Rs5.9 billion on Shaheed-e-Millat Road on Saturday. The projects were inaugurated by Pakistan Peoples Chairman PPP Bilawal Bhutto Zardari.

The chief minister said: "The mayor of Karachi today met me and demanded Rs2 billion for development which I gave him but simultaneously told him that the amount was peanuts for this mega city."

Shah said that he had launched 36 schemes under Karachi's mega projects and most of them had been completed. He said Sharea Faisal was reconstructed and widened along with the construction of a storm-water drain.

He recalled that Shaheed Zulfikar Ali Bhutto had constructed the same road in the 1970s.

Talking about development projects, the chief minister said that it was a proud moment for them to celebrate the successful completion of signature projects initiated by the Sindh government for the citizens of Karachi.

CM Shah said that there was an exhaustive list of the projects that had been recently completed.

He mentioned the widening and improvement of Sharea Faisal, University Road from Hassan Square to Safoora Goth, Hub River Road, Madinat ul Hikmat Road, the road From Fawara Chowk to the Karachi Zoo, the beautification of Cantt Railway station and the improvement of the surrounding areas, the Drigh Road Underpass and the Munzil Pump Flyover on N5.

Shah, addressing Pakistan Peoples Party Chairman Bilawal Bhutto Zardari, said that he was pleased to announce that they had gathered there to inaugurate the seven recently completed projects.

They are the Tariq Road Underpass at a cost of Rs589.9 million, the Begum Rana Liaqat Ali Flyover for Rs668.2 million, the re-construction of Tipu Sultan Road with Rs308.6 million, the Sunset

Boulevard Flyover with Rs460.4 million, the construction of an underpass at Submarine Chowrangi at a cost of Rs2,204.9 million, Syed Sibghatullah Shah Rashdi Road with Rs693.5 million, and 12,000 Road in Korangi with Rs1,002.0 million.

The chief minister said that apart from road infrastructure , the Sindh government was investing hugely in other sectors such as the water supply and sewerage improvement projects and firefighting and disaster management schemes.

Water supply: The upgradation of the Pipri Filter Plant has been completed, the water supply lines for Orangi/Baldia Town have been laid, and improvement/replacement of all water and sewerage systems is under way.

Disaster management: The chief minister said his government had procured a 104-meter tall snorkel for Karachi, and also 10 firefighting machines for the city. He added that more fire tenders were in the process of procurement.

Ongoing projects: He said that apart from the already completed projects, work on six ongoing projects was in progress and would be completed in the next financial year.

They include Road 8000 Korangi (Shahrah-e- Darul Uloom), the construction of a flyover at Korangi No. 2 ½, the construction of a flyover at Korangi No. 5, the construction of a Shaheed-e-Millat- Hyder Ali junction underpas, the construction of 12 different roads around the Lea Market, Lyari, and Saddar Town, and the construction/extension of a bridge across the Orangi Nullah.

The chief minister said that Sindh was the only province where the public-private partnership projects had not only been conceived but also completed on time.

The chief executive of the province added that the Hyderabad-Mirpurkhas Dual Carriageway Project had started giving the Sindh government huge financial returns, apart from social uplift of the region.

https://www.thenews.com.pk/print/580109-world-bank-study-shows-rs1-trillion-needed-to-develop-karachi-says-cm

NEWS COVERAGE PERIOD FROM DECEMBER 09 TO 15

ITALY ANNOUNCES RS 1.2 BILLION SOFT LOAN FOR KP'S ARCHAEOLOGY DEPARTMENT

By RECORDER REPORT on December 10, 2019

Italian government has announced Rs1.2 billion soft loan for the development of Archaeology Department of Khyber Pakhtunkhwa and promotion of religious tourism in the region. Italian Ambassador Stefano pontecorvo said this during a meeting with KP Senior Minister, Atif Khan here at Civil Secretariat Peshawar.

The meeting also discussed detailed bilateral relations including promotion of religious tourism and development of integrated districts. The Italian ambassador also assured the training of archaeological special police in the province, which would ensure prevention of antiquities.

Italy's ambassador assured to give funds for the development of the integrated tribal districts and offered the provincial government to point out different sector in erstwhile Fata.

On this occasion, the Senior Minister Atif Khan thanked the Italian Ambassador for lending the department archaeology on easy terms and provision of financial support for the development of the integrated districts.

Senior minister said that the situation in the province was now favourable for investors. He apprised the Italian minister that both the current federal and provincial governments were taking serious steps for the promotion of tourism and there were numerous opportunities in the tourism sector.

https://www.brecorder.com/2019/12/10/551903/italy-announces-rs-12-billion-soft-loan-for-kps-archaeology-department/

GOVT SIGNS $1.3BN LOAN AGREEMENT WITH ADB

December 10, 2019

ISLAMABAD: The government of Pakistan on Monday signed a loan agreement worth $1.3 billion with the Asian Development Bank (ADB) for budgetary support and power sector reforms.

The loan agreements were signed by Dr Syed Pervaiz Abbas, Secretary Economic Affairs Division (EAD), and Xiaohong Yang, Country Director ADB. Federal minister for Economic Affairs Division (EAD) Hammad Azhar witnessed the loan signing ceremony.

According to officials, the loan of $1 billion for emergency budget support has been taken for seven years at an interest rate of LIBOR+ 2 percent. Further the $300 million loan for energy sector has been taken at 2 percent per annum interest rate that will be paid back in 20 years.

Soon after signing the loan agreement, the EAD minister took to Twitter while saying that the sums will be disbursed today (Monday) and claimed that it would be the single largest disbursements in one day to any country by the ADB.

Azhar tweeted, “The government of Pakistan and ADB have scaled up their partnership today (Monday) with the signing of USD 1 billion special policy based loan for macroeconomic stability and USD 300 million for energy sector and financial sector reforms-(It is) single largest disbursements in one day to any country by the ADB. Economic Affairs Division and ADB have signed policy based loans of USD 1.3 billion today (Monday). The sums will be disbursed today (Monday) and will help bolster reserves and strengthen our economic outlook. The above disbursement reflects the confidence that multilaterals hold in the government's reform agenda and the progress achieved towards economic stabilization. ADB is a valuable contributor in Pak's development path.”

Under Special Policy-Based Loan (SPBL) facility, the ADB has committed to provide one billion dollars for economic stabilization program. This program is aimed at improving exchange rate management; strengthen public financial management to mobilize more revenues; restore allocative efficiency of scarce public resources; address the power sector pricing issues; and reduce the social impacts of macroeconomic stability measures by improved targeting and transparency of existing social protection programs.

Out of total $1.3 billion loan, $ 300 million are allocated to energy sector reforms & financial sustainability program (Subprogram 1). The objective of the facility is to address issues regarding energy shortfalls, technical lacunas and policy related shortcomings in the country's energy sector. The program will help secure financial sustainability by controlling new accumulation of circular debt; strengthen governance by rationalizing competitive market roadmap, separation of policy and regulatory functions in hydrocarbons sector, appointment of appellate tribunals, implementation of multi-year tariffs and unbundling of gas sector; and reinforce infrastructure improvements through integrated planning to facilitate public and private sector investment across the energy supply chain.

According to an official statement, Azhar acknowledged ADB's continued support for Pakistan. The minister expressed that ADB's policy-based lending will not only strengthen the foreign exchange reserves but will also provide fiscal space to the government for implementing its reforms agenda and boost economic activities in the country. The provision of program lending by ADB is indicative of the government's successful policies for macroeconomic stability and reforms, he added.

The ADB country director stated that ADB is one of the leading development partners of Pakistan. The ADB fully supports the government's development vision and policies. She expressed that ADB is providing its support to the government for policy reforms and project financing in the key priority areas such as energy, road, social sector, water and irrigation and urban services.

The ADB is committed to providing wide-range financing options to strengthen Pakistan's economy and reduce the risk of external economic shocks, she added. She also reiterated ADB's strong commitment to further strengthen and expand its partnership with Pakistan.

The ADB's financing was approved after the government implemented a series of IMF-supported reforms and actions to improve its current account deficit, strengthen its revenue base, and protect the poor against the social impact of the economic crisis, the Bank added.

Pakistan is facing significant economic challenges on the back of a large balance of payments gap and critically low foreign exchange reserves together with weak and unbalanced growth.

While the country's economy has a history of boom and bust economic cycles, it reached a tipping point in 2018 after foreign investment shrank sharply in an uncertain political and global economic environment and the ongoing poor performance of state-owned enterprises caused public debt to reach unsustainable levels, the Bank added. In July, the IMF approved a three-year $6 billion Extended Fund Facility (EFF) to finance the government's economic reform program that aims to put Pakistan's economy on the path of sustainable and inclusive growth.

The EFF is expected to catalyze at least $38 billion in financing from Pakistan's development partners.

The ADB has committed to providing a total of $2.1 billion in policy-based lending during fiscal year 2019–2020 to support the reform program, it added.—TAHIR AMIN

https://epaper.brecorder.com/2019/12/10/19-page/814453-news.html

DFID-FUNDED MODEL SCHOOLS TO BE ESTABLISHED IN 11 DISTRICTS

Imran Gabol December 12, 2019

LAHORE: The Punjab School Education Department (SED) has identified 11 districts of the province to establish 110 model schools featuring fully-equipped classrooms, auditoriums and grounds.

Provincial Minister for School Education Murad Raas on Wednesday held a meeting at Quaid-i-Azam Academy for Educational Development with education-chief executive officers (CEOs) of the 11 districts and head teachers of the 110 selected schools.

The project aims at improving facilities and infrastructure of the established schools to provide conducive learning environment for students.

Under the project, the school education department will construct 2,000 rooms for teaching and learning activities in public schools, capacity building of librarians, Science and IT teachers along with provision of necessary equipment and books in selected schools and to transform National Museum of Science and Technology as a centre for STEM (science, technology, engineering and mathematics) learning.

The Programme Monitoring and Implementation Unit of the school education department is spearheading the planning and implementation of the short-term programme with a timeline of 10 months starting from June 2019 to March 2020.

The Department for International Development has provided 35 million pounds for the project.

A Model School will have 40 to 45 students per section, new classrooms and furniture with white boards, soft boards and necessary stationery and LEDs (if strength per classroom is more than 50), well-maintained science labs for biology, physics and chemistry, computer labs with the provision of state of the art facilities including core i3 desktops, multimedia kits and provision of internet, state of the art libraries with an impressive index of titles and other facilities like, LEDs and MMPs etc.

Other facilities include toilets with a ratio of 1:50, sports grounds with provision of necessary sports equipment, art and music rooms with provision of necessary resources, fully functional canteen with good hygienic food available, medical and prayer rooms, safety equipments, learning spaces designed to enhance varied and interactive activities, well-equipped staff rooms, meeting rooms for joint staff meetings/auditorium, common rooms for senior students, facilities for physically challenged students, including ramps at the entrance and proper signage available for all the above stated provisions.

Mr Raas said the department had only three months to complete the project, otherwise its funds would be lapsed.

He said head teachers should personally monitor the progress of the project and should report any mismanagement.The minister said that strict action would be taken against the CEOs and head teacher for not completing the project on time and he would not listen to any excuse.

He said school councils, CEOs and deputy commissioners would issue funds for the project.

He said several teams would monitor the construction and other works of the schools and they would directly report to him if they found any delay and discrepancy.

He said the department would adopt a rationalise policy to meet the deficiency of the school teachers in the model schools. One of the participants head teacher Hassan Mehmood said that they did not know about the tender and start date of the project and also did not have any executive power.

He said they would not issue funds if the standard of different works of the project were not maintained.

Published in Dawn, December 12th, 2019

https://www.dawn.com/news/1521719

ADB SAYS SIGNS OF STABILIZATION EMERGING

By TAHIR AMIN on December 12, 2019

The Asian Development Bank (ADB) on Wednesday said that signs of economic stabilization are emerging in Pakistan during the ongoing fiscal year 2019-20.

The ADB in its latest supplement to its Asian Development Outlook 2019 Update stated that despite tight monetary policy and a modestly strengthening currency, inflation in Pakistan averaged 10.1 percent in the first 3 months of fiscal year 2020. However, earlier in September this year ADB stated that inflation remained elevated at the start of fiscal year 2020 at 9.4 percent in July and August.

Following a steep growth slowdown in Pakistan to 3.3 percent in fiscal year 2019 (ended 30 June 2019), signs of economic stabilization are emerging in fiscal year 2020, as forecast in the update, the Bank maintained. Earlier in September 2019, ADB had stated that given the need for the authorities to address sizeable fiscal and external imbalances, the economy is expected to slow further, with GDP growth projected at 2.8 percent in fiscal year 2020.

In its latest Update, ADB maintained that except India, economic growth in the rest of South Asia is on track to meet forecasts.

The South Asian GDP growth forecast for 2019 is cut from 6.2 percent in the Update to 5.1 percent, and for 2020 from 6.7 percent to 6.1 percent. These revisions reflect lowered growth projections for India at 5.1 percent in fiscal year 2019 (fiscal year 2019, ending 30 March 2020) and 6.5 percent in fiscal year 2020. Having already slowed year on year from 5.8 percent in Q4 of 2018 to 5.0 percent in Q1 of 2019, growth in India fell further to 4.5 percent in Q2, the lowest quarterly rate since Q4 of 2012. This put growth in the first half of fiscal year 2019 at 4.8 percent as expansion in private consumption slowed to 4.1 percent and in investment to 2.5 percent. In Afghanistan, concerns about security and political uncertainty stemming from a presidential election in September 2019 continue to weigh on economic activity, but favorable weather and continued external assistance should support growth.

In Bangladesh, accommodative policy on credit to the private sector is expected to promote investment, and strong remittances, which surged by 20.5 percent in the first 4 months of fiscal year 2020 (ending 30 June 2020), will stimulate domestic demand. Despite a slight reduction in Q1, exports are expected to pick up thanks to trade redirection and the government's fiscal support to export-oriented businesses.

In Bhutan, hydropower production increased by 3.1 percent in Q1 of fiscal year 2020 (ending 30 June 2020), reversing 2.3 percent decline in the same quarter of FY2019. Tourism has been strong in Maldives, with arrivals growing by 15.8 percent year on year in the first 9 months of 2019, and several new government infrastructure projects commenced in Q4 of 2019, promising to support growth.

In Nepal, remittances fell slightly in the first 2 months of fiscal year 2020 (ending 16 July 2020), but foreign direct investment soared by 61 percent, encouraged by political stability and legal reform for foreign investment. Merchandise exports increased by 23 percent.

Growth in Sri Lanka dropped from 3.7 percent in Q1 of 2019 to 1.6 percent in Q2, after bomb attacks in April 2019 severely hit tourism and disrupted the economy. A recent presidential election is expected to improve political stability and aid economic recovery.

https://www.brecorder.com/2019/12/12/552569/adb-says-signs-of-stabilization-emerging/

JAPAN PLEDGES RS697.5M FOR POLIO ERADICATION

By News Desk Published: December 12, 2019

The government of Japan has provided Rs697.5 million grant to support the supply of the essential oral polio vaccine (OPV).

This vaccine will enable the programme to reach more than 20 million under five children in Pakistan during vaccination drives planned from December 2019 to November 2020.

The notes of the grant were signed and exchanged on Wednesday between the Japanese government, Japan International Cooperation Agency (JICA) and the United Nations Children’s Fund (Unicef). Special Assistant to PM for National Health Services, Regulations and Coordination Dr Zafar Mirza, officials and dignitaries were present on the occasion.

According to a statement, a total of 22.69 million doses will be procured under this grant which will support in vaccination of an estimated 20 million children for case response or mop-up activities.

This will enable the programme to continue its efforts for closing immunity gaps among children under five years old.

“Pakistan is currently facing a challenging situation in polio eradication. However, the government is committed to making all-out efforts to ensure all children receive the essential vaccine. It is a topmost priority of the government to make Pakistan polio-free,” said Mirza during the signing ceremony.

“Continuous support from the Japanese government and partners will help us to maintain high-quality campaigns and reach every child in Pakistan with this essential polio vaccine,” he continued while expressing gratitude to Japanese government and other partners.

“We expect the government of Pakistan to take further initiative and redouble its effort to eradicate polio including educating the people in need how dangerous polio virus will be” said Chargé d’ Affaires ad interim Japanese Yusuke Shindo.

“Unicef is thankful to the people and the government of Japan for their generous contributions to the Pakistan Polio Eradication Programme. The new grant comes at a time when the country is facing challenges to stopping poliovirus circulation. This funding will immensely contribute to strengthening immunity among children,” said Unicef Representative Aida Girma.

“I am confident that with the sustained commitment from Pakistan and strong support from all partners, together we will be able to reach our goal, polio-free Pakistan.”

"We are proud that JICA can contribute to admirable efforts to protect Pakistani children from polio through this vaccine procurement," said JICA Chief Representative Shigeki Furuta.

"JICA expects that the vaccine, the only way to strengthen children's immunity, will be used effectively with the understanding of parents and communities, and the efforts of frontline workers," he further added while speaking at the occasion

Published in The Express Tribune, December 12th, 2019.

https://tribune.com.pk/story/2116023/1-japan-pledges-rs697-5m-polio-eradication/

WORLD BANK-FUNDED TAX REFORMS

By HUZAIMA BUKHARI AND DR IKRAMUL HAQ on December 13, 2019

The World Bank (WB), in an appraisal paper related to Pakistan Raises Revenue (PRR) has termed "vested interests lobbying for tax exemptions, internal tensions and wariness of change among the Federal Board of Revenue (FBR) staff, and potential disputes affecting provinces' readiness to collaborate with the FBR as high-risk factors" for tax reforms. It may be mentioned here that the total cost of Pakistan Raises Revenue (PRR) Project is estimated at US $1.6 billion, of which counterpart contribution is $1.2 billion and IDA financing is $400 million.

In the past as well, WB, DFID, and others gave a lot of money to Pakistan for reforms, yet things have changed only for the worse on fiscal/tax front. Pakistan Raises Revenue (PRR) Project is purportedly designed to "sustainably increase domestic revenue by broadening the tax base and making it easier for citizens and businesses to pay their taxes. This will make it possible for Pakistan to finance the investments in infrastructure, education and health needed for the country to accelerate and sustain growth". The lion's share of huge funding will go to the pockets of so-called foreign experts who have no idea of our mundane realities and rest will be wasted by untrained workforce we have in all tax agencies at federal and provincial levels.

There is yet no research-based study available with the World Bank for improving tax administrations at all levels and growth-oriented tax reform agenda. The World Bank in Pakistan Revenue Mobilisation Project has not shown any indication of taxing the rich though rightly noted as under:

Pakistan's tax revenue potential would reach 26 percent of GDP, if tax compliance were to be raised to 75 percent, which is a realistic level of compliance for lower middle income countries (LMICs). This means that the country's tax authorities are currently capturing only half of this revenue potential, i.e. the gap between actual and potential receipts is 50 percent. The size of the tax gap varies by tax instrument and by sector. The tax gap in the services sector is larger than in the manufacturing sector (67 percent vs. 46 percent respectively) and it is larger for the GST/GSTS than for income tax (65 percent vs. 57 percent respectively).

The World Bank in its appraisal report has rightly noted that our tax system is complex because of overlapping jurisdictions with different laws, exemptions, and frequent policy changes. The Constitution assigns income taxes (except for income derived from agriculture), GST on goods, customs duties, federal excises, and the CGT to the federal level. These taxes are collected by FBR. The Constitution assigns the following taxes to the provinces: GST on Services (GSTS), tax on professions, agricultural income tax, motor vehicle tax, urban immovable property tax (UIPT), and other taxes related to real estate (e.g., stamp duty, capital value tax). This tax assignment fragments

Pakistan into five markets in the services sector. The withholding tax regime is also problematic because of the administrative burden it places on businesses that are obliged to withhold taxes, and because it distorts economic actors' incentives.

The World Bank estimates Pakistan's tax gap at 10% of the GDP or Rs 3.8 trillion. Our current tax-to-GDP ratio is 12.6% that according to the World Bank should be 23%. Among the 13 federal countries, Pakistan is second to last in the performance of provincial governments on tax collection. While the services sector accounts for 56% of GDP, it contributes only 0.5% of the GDP in taxes and about 11% in sales tax collection.

The World Bank analysis is that Pakistan has a complex tax system of over 70 unique taxes and at least 37 government agencies administering these taxes. It may be recalled that the World Bank in 2004 extended to Pakistan $125.9 million, including IDA credit of $102.9 million and a UK DFID grant of $23 million, for Tax Administration Reform Project (TARP). The objective of TARP was to improve “the integrity and fairness of tax administration by improving organizational efficiency and effectiveness of the revenue administration". Tragically, tax-to-GDP ratio in 2012, the last year of extended World Bank funded TARP, dipped to 8.2% from 10.6% in 2005 when the programme started! The World Bank in its report, “Implementation, Completion and Result Report" on TARP observed that “the current narrow-base of general sales tax (GST) in Pakistan remained almost entirely unchanged throughout 2005-2012, despite efforts to overhaul the indirect taxation structure by introducing a reformed GST featuring few exemptions and wide coverage of goods and services".

The World Bank in its latest appraisal report has not mentioned mafia-like operations that include amongst others, missing containers, refund scams, smuggling of goods, currency and narcotics, under-invoicing, and abuse of the legal tool of issuing Statutory Regulatory Orders (SROs) to favour the rich and mighty. Pakistan aptly fits in the concept of a “soft state"-famously articulated by the Nobel laureate, Swedish sociologist Gunnar Myrdal in his 1968 three-volume work, Asian Drama: An Inquiry into the Poverty of Nations. It is a broad based assessment of the degree to which the state, and its machinery, is equipped to deal with its responsibilities of governance. The more soft a state is, the greater the likelihood that there is an unholy nexus between the law maker, the law keeper, and the law breaker.

Pakistan is facing multiple challenges on the economic front: reckless borrowing by successive governments for meeting its day-to-day expenses, lack of resources for rapid infra-structure improvements, trade deficits, fiscal deficit, inflation, balance of payments, and what not. In these challenging times, we have taken more loans, even from the World Bank to reform our tax system! Faced with grave challenges to combat terrorism, money laundering operations funding the militants and criminals, and the problem of ever-growing black money, which according to independent experts is about three times of the documented economy, our political leadership and tax officials opted for yet another foreign-funded tax reforms.

The main emphasis of the PTI Government is still not on low-rate taxes on the broadest possible tax base, taxing the rich and mighty through alternate minimum tax and property tax according to the size of the house/office. Along with these measures, it is vital to bridge the monstrous tax gap which according to official claims is not less than 70%, the collection of which is essential as it can wipe out the entire fiscal deficit. This is, however, not possible unless the federal government, after consultations with provinces, introduces harmonised sales tax on goods and services and establishes a single agency to monitor all inflows and outflows and document all the transactions relating to acquiring of assets.

(The writers, lawyers and partners in Huzaima, Ikram & Ijaz, are Adjunct Faculty at Lahore University of Management Sciences)

https://www.brecorder.com/2019/12/13/552879/world-bank-funded-tax-reforms/

WORLD BANK TO LEND $407M FOR 48KM ‘ROAD TO NOWHERE’

Khaleeq Kiani Updated December 14, 2019

ISLAMABAD: The government on Friday signed $407 million loan agreement with the World Bank for the construction of a 48-km long-road project — Khyber Pass Economic Corridor (KPEC) — from Peshawar to Torkham.

The agreement was signed between Economic Affairs Division (EAD) Secretary Dr Syed Pervaiz Abbas and WB’s Country Director Patchamuthu Illangovan.

Earlier, the project was strongly opposed by the Central Development Working Party (CDWP) as the Planning Commission questioned its economic viability and cost estimates. The Executive Committee of the National Economic Council led by PM’s adviser approved the project in view of the improving balance of payments position.

The project entails construction of “48Km-long four-lane, dual carriageway high-speed access controlled motorway, from Peshawar to Torkham”, according to the EAD. The road will promote economic development and uplift areas adjoining expressway in the Pakhtunkhwa province, it added.

Planning Commission doubts viability of four-lane motorway to Torkham

The project envisages use of Public-Private Partnership (PPP) and private financing to develop clusters of economic activity, economic zones and expressways. The connecting transport infrastructure and economic zones will provide a strong foundation for private businesses to invest in these zones, an official statement said.

The global integration of south and central Asia was intertwined with the Khyber Pass and had served as the key node in trade for hundreds of years, the EAD added. “The expressway between Peshawar and Kabul through the Khyber Pass represented a section of Corridors 5 and 6 of the Central Asia Regional Economic Cooperation,” it said explaining that Corridor 5, which will run through Pakistan, had the potential to provide the shortest link between the landlocked countries of Afghanistan, Tajikistan, Uzbekistan and the Arabian Sea”.

Corridor 6 provides access to Europe, Middle East and Russia. The KPEC will finance Peshawar-Torkham expressway portion of Corridor-5. The expressway is designed to reduce transit time and costs for regional and international trade transit through the Khyber Pass and will extend to Karachi - Lahore - Islamabad - Peshawar Trans-Pakistan Expressway System.

The project will form an integral part of the planned Peshawar - Kabul - Dushanbe Motorway. The improved regional connectivity through this corridor will not only facilitate the commercial traffic and expand economic activities between Pakistan and Afghanistan but also promote private sector development along the corridor. It is expected to generate up to 100,000 new jobs in Khyber Pakhtunkhwa.

But that is where the CDWP had questioned the project even after rationalising its cost from Rs40bn to Rs37bn. One highly placed source described the project as a “road to nowhere.”

“The proposed road will end at Torkham, what is there beyond this point to merit such an investment,” he added.

Moreover, the Planning Commission considered the high cost project an economically nonviable at this stage.

“There is no development on the construction of Torkham-Kabul Motorway from the Afghan side,” the Planning Commission had pointed out, in a summary sent to Encec, insisting that an agreement must be signed bewteen Pakistan, Afghanistan and Tajikistan for construction of motorway from Peshawar to Dushanbe via Kabul before taking up the KPEC to ensure connectivity and accessibility of Pakistan trade with Central Asian states.

The Planning Commission has also opposed the project on technical and economic basis. It said the road facilities were warranted and upgraded on the basis of traffic demand.

The existing Peshawar-Torkham two-lane single carriageway, it said, was carrying about 7,817 vehicles per day (VPD), including 52 per cent car traffic, which included only 1,177 VPD of freight traffic.

The Planning Commission has argued that in the absence of connectivity till Kabul and further to Dushanbe, there will be very minimal traffic available. “If the existing facility is dualised, which is a less cost proposition; it can accommodate 50,000 VPD and would suffice the traffic demand for next many years.”

As such, keeping in mind the limited freight traffic, the “construction of four-lane motorway on new alignment is not justified having very high unit cost of Rs871.5m per kilometre, which is more than the unit cost of Rs655m per km for six-lane Lahore-Abdul Hakeem Motorway recently completed, Rs435.82m per km for four-lane Hakla to Yarik (D. I. Khan) motorway and Rs510m per km for four-lane Sialkot to Lahore motorway”.

On top of that, the National Highway Authority (NHA) –proposed executing agency – had a throw-forward of Rs1.166 trillion with an allocation of Rs155bn under the Public Sector Development Programme 2019-20. Keeping the yearly allocations fixed at Rs155bn, about 7.5 years would be required to complete the NHA projects, those including in the PSDP 2019-20.

“With already constrained fiscal space and very low traffic volumes at present, taking up the project at a very high cost and with such rich specifications on loan basis is not justified,” the Planning Commission wrote.

Taking up this unviable project on foreign loan with very low returns will add further to the foreign debt of the country and is against the spirit of government’s initiative to combat the prevailing debt crisis.

Published in Dawn, December 14th, 2019

https://www.dawn.com/news/1522197/world-bank-to-lend-407m-for-48km-road-to-nowhere

$406.6M LOAN ACCORD SIGNED WITH WB FOR KPEC PROJECT

December 14, 2019

ISLAMABAD: The government of Pakistan and World Bank on Friday signed loan agreement worth $406.6 million for Khyber Pass Economic Corridor (KPEC) project.

Dr Syed Pervaiz Abbas, Secretary Economic Affairs Division (EAD), signed the project's loan agreement on behalf of government of Pakistan while representative of National Highway Authority (NHA) signed the project agreement of the project while Patchamuthu Illangovan, Country Director World Bank signed the agreements on behalf of World Bank. Minister for Economic Affairs Hammad Azhar witnessed the signing ceremony of financing and project agreement of KPEC.

According to Bank fact sheet, KPEC is financed with a $460.6 million IDA concessional credit from the World Bank and $22.15 million from the government. The World Bank's concessional financing has a maturity of 30 years and an interest rate of 1.25 percent after a 5-year grace period. This financing cost is lower than the government's own cost of funds. The commitment charge is currently zero. This means that any cost savings realized through competitive bidding can be repurposed or cancelled at no cost to the government. Two-thirds of the funds come from a special window that supports regional connectivity, and therefore cannot be utilized for other projects of national nature. This is in addition to the regular allocation of concessional IDA funds to Pakistan, maintained the project documents.

According to the EAD official statement, the project aims at constructing 48 km long 4-lane dual carriageway high-speed access controlled motorway from Peshawar to Torkham. This project will promote economic development and uplift areas adjoining expressway falling in Khyber Pakhtunkhwa province. The project envisages the use of PPP and private financing to develop clusters of economic activity, economic zones and expressways. The connecting transport infrastructure and economic zones will provide a strong foundation for private businesses to invest in these zones.

The global integration of South and Central Asia is intertwined with the Khyber Pass and has served as the key node in trade for hundreds of years. The expressway between Peshawar and Kabul through the Khyber Pass represents a section of Corridors 5 and 6 of the Central Asia Regional Economic Cooperation (CAREC). Corridor 5, which runs through Pakistan, has the potential to provide the shortest link between the landlocked countries of Afghanistan, Tajikistan, Uzbekistan and the Arabian Sea. Corridor 6 provides access to Europe, Middle East and Russia. The KPEC will finance Peshawar-Torkham expressway portion of Corridor-5.

The Peshawar-Torkham expressway will reduce transit time and costs for regional and international trade transiting the Khyber Pass and extend till Karachi-Lahore-Islamabad-Peshawar Trans-Pakistan Expressway System. It will form as an integral part of the planned Peshawar-Kabul-Dushanbe Motorway. The improved regional connectivity through this corridor will not only facilitate the commercial traffic and expand economic activities between Pakistan and Afghanistan but also promote private sector development along the corridor. It is expected to generate up to 100,000 new jobs in Khyber Pakhtunkhwa.

The Minister for Economic Affairs highlighted that signing of this important project indicates resolve of the World Bank to support the development agenda of the present government.

The country director WB while appreciating the reform initiatives of the current government committed to extending possible facilitation and financial support to the government in its efforts to promote economic activities in the country and put the economy back on track.

According to the project documents, the cost estimate per kilometer without contingencies is equivalent to $6.7 million. This cost is lower than the international average of $8-10 million per kilometer for expressways in similar mountainous and hilly terrains. The preliminary designs include 22 bridges/flyovers, 139 drainage/culvert structures, and two major interchange. International practice is to allocate enough financing for estimated costs and contingencies to provide confidence to bidders. This will bring reputable contractors to work in this logistically and security challenging but important area. The international average physical contingency is 10 percent and a similar contingency level is usually used to cover price escalation during construction period. For KPEC, a seven percent price contingency and a 12.5 percent physical contingency have been used.—TAHIR AMIN

https://epaper.brecorder.com/2019/12/14/17-page/815177-news.html

WORLD BANK SHOWS INTEREST IN DMC CENTRAL PROJECTS

Our Correspondent December 15, 2019

The World Bank has shown its interest in several construction projects being carried out in the District Municipal Corporation (DMC) Central.

According to a statement issued by the DMC Central, a delegation of the WB met DMC chairman Rehan Hashmi of the Muttahida Qaumi Movement (MQM) on Saturday. Vice Chairman Shakir Ali, Municipal Commissioner Fahim Khan and other officials were also present in the meeting. Hashmi said solid waste and sewerage problems were discussed in the meeting, and hinted that soon new projects would be announced for the district with the WB’s support.

He told the delegation how, due to dearth of local government powers and funds that had been curtailed by the Sindh government, the DMC Central was facing serious civic issues. “We are trying to do some work with the help of donations provided by philanthropists and nonprofit organisations.”

He explained how the entire district could be made garbage-free if even half of the funds, provided to the Sindh Solid Waste Management Board (SSWMB), were granted to them.

The SSWMB worked under the provincial government and was currently functional in South, East, West, Korangi and Malir districts.

The chairman also briefed the delegation about different small civic projects being carried out by the district administration and sought their support.

The World Bank delegation, according to the statement, showed interest in different projects of the DMC and assured the representatives of all its assistance. A plan was also formulated in the meeting regarding the implementation of such projects.

https://www.thenews.com.pk/print/583616-wb-shows-interest-in-dmc-central-projects

NEWS COVERAGE PERIOD FROM DECEMBER 16 TO 22

DASU HYDROPOWER PROJECT'S TRANSMISSION LINE: WB ALL SET TO EXTEND $700 MILLION ADDITIONAL FINANCING

By MUSHTAQ GHUMMAN on December 16, 2019

The World Bank is all set to extend $ 700 million additional financing for transmission line for Dasu Hydropower Project. This has been conveyed by World Bank Country Director, Patchamuthu Illangovan in a letter to Secretary Ministry of Water Resources, Muhammad Ashraf.

"Preparations for an IBRD loan of $ 700 million for Dasu Transmission Line (DTL) are proceedings well. The World Bank plans to appraise the project from December 12, 2019 and to negotiate in the last week of January 2020. The project PC-1 has already been approved", he added.

The World Bank appreciated the Water Resources Ministry and other stakeholders for extending support to get approval for the revised land rates and compensation for the Dasu land acquisition, which was approved by the Federal Cabinet on October 29, 2019.

The Bank argued that the decision was of great significance for the project. The revised rates were notified by the Deputy Commissioner on November 27, 2019 and the Chief Secretary KPK is helping to ensure that the remaining process of land acquisition is completed appropriately and in a timely manner.

The key actions agreed for Ministry of Water Resources (MoWR) follow up during a wrap-up meeting on November 20, 2019 are as follows: (i) land acquisition-at the wrap up meeting, Senior Member of Board of Revenue (SMBR) KP, Commissioner Hazara, Deputy Commissioner Kohistan and Land Acquisition Collector (LAC), Dasu, had agreed on a detailed timeline and plan for acquiring the next batch of 1,300 acres (batch 2) of land immediately.

"I would like to emphasise that the remaining land should also be acquired in the next six months. For that purpose, an agreement should be reached with the DC/LAC on detailed plans by component for acquisition of remaining lands under batches 3 and 4," he continued.

Security issues-World Banks says as decided in the 14th PSC meeting, security issues in the DHP-1 area should be improved by deploying Frontier Corps for safety and security of the public infrastructure in the project area, project assets as well as project staff, consultants and staff of contractors. As decided in the mission wrap-up, Ministry of Water Resources will submit a renewed request to the Ministry of Interior to deploy FC. The Bank has asked the MoWR to do it on a priority basis as the number of expatriates is increasing as project activities are growing.

Occupational health and safety-World Bank has reminded the authorities that a fatal accident occurred on August 29, 2019 and strongly emphasized the importance of highest commitment from the Government of Pakistan. The World Bank believes that Ministry of Water Resources and Wapda will ensure that good practices are followed and communicated by leadership for occupational health and safety for all work activities in Dasu Project.

Ministry of Water Resources has also obtained clearance of increased land purchase price from National Accountability Bureau (NAB) fearing that any payment of higher price to Dasu projects affectees can be problematic for the authorities.

Dasu Hydropower Project is run of the river project with total installed capacity of 4,320MW (largest so far) comprising two phases – of 2,160MW each. The project is being constructed on the Indus River, 74 kilometres downstream of Bhasha Dam, in District Kohistan (Upper), KP. PC-1 envisages construction of stage-1 (2160MW) which also includes land acquisition, resettlement of affectees, construction of offices, colonies, project access relocation of KKH(64km) as well as other construction activities.

Following a lengthy process of negotiations and considerations of various proposals, the project was again submitted to CDWP/ECNEC) at a revised cost of Rs 36.914 billion for land acquisition and built-up property, increasing the overall cost of Dasu Hydropower Project (stage-1) to Rs 510.980 billion.

https://www.brecorder.com/2019/12/16/553557/dasu-hydropower-projects-transmission-line-wb-all-set-to-extend-700-million-additional-financing/

ADB STRESSES DIVERSIFICATION TO BOOST EXPORTS

The Newspaper's Reporter Updated December 17, 2019

ISLAMABAD: Pakistan is required to undertake structural reforms to improve its exports for attaining a sustainable economic growth rate of above 3.8 per cent, suggests a new study released by the Asian Development Bank on Monday.The study — Why Pakistan's Economic Growth Continues to be Balance of Payments Constrained — says this requires an upgrade in the country's international specialisation profile.

“A more diversified economy results in more diverse exports, and this is required to acquire the wider set of productive capabilities that is needed to export goods with a higher level of sophistication,” it noted.

The first steps towards export diversification could be to identify causes of lost export value in important industries like glass and stone, mineral products, plastics and chemicals; and explore options for moving into new export products that require productive capabilities similar to those used for existing Pakistani exports, but have a higher level of sophistication within the product space.

Pakistan could also take steps to generate a conducive environment for export (terms of trade, export insurance, export promotion, and trade agreements; prepare a strategy for the garment industry, including a competitiveness assessment of current products; improve the capacities of the agencies overseeing national standards, accreditation, and certification of international standards; establish a national single window for exports; and improve the availability of trade finance.

To implement these steps, it is required that policy design, coordination, and implementation facilitate private sector attempts to acquire capabilities in latent and more sophisticated products, as well as encourage meaningful strategies to develop new capabilities in distant products.

On average, over the last decade, Pakistan has lost global market share by 1.45 per cent per annum, with foreign exchange reserves further declining from $9.8 billion at the end of fiscal year 2018 to $7.3 billion at the end of fiscal year 2019, only enough to finance about 1.4 months of imports.

Hence, improving Pakistan's export performance remains the most relevant long-term structural challenge to alleviate the balance-of-payments constraint to sustained economic growth, according to the study.

The composition of imports contributes to the balance of payments constraint. Around 40 per cent of electricity production in Pakistan is oil-based, and 25 per cent is gas-based. Direct and indirect subsidies for the energy sector are incentivising oil consumption, thus driving imports.

Investments in the country's power-generation capacity, partly under the China-Pakistan Economic Corridor has the potential to diversify the energy mix, moving the country away from a dependence on oil-based energy supplies; this could lower dependence on energy imports, since domestic coal reserves would be used for power generation, the study noted.

As a result of these investments, the IMF predicts a diversification of Pakistan's energy mix between 2016 and 2024, with hydropower shifting from 36pc to 40pc, natural gas from 28pc to 22pc, furnace oil from 30pc to 8pc, coal from zero per cent to 18pc, solar and wind power from 4pc to 3pc, and nuclear energy from 3pc to 9pc.

Accelerating energy sector reforms to reduce and rationalise subsidies for oil-based generation, incentivise renewable energy generation, and reduce losses are important structural reforms to alleviate the effects of energy imports on the balance of payments.

The high proportion of remittances coming from Middle Eastern oil-exporting countries, specifically from workers in the highly cyclical construction industry, results in remittance receipt fluctuations in relation to oil prices.

On the upside, this provides a delayed hedge against fluctuations in the oil price, Pakistan's main import. A more diversified distribution of migrant worker destination countries would help decouple remittances from oil price developments.

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https://www.dawn.com/news/1522674

WORLD BANK, PUNJAB AGREE TO EXPAND COOPERATION IN DIFFERENT SECTORS

By MUHAMMAD SALEEM on December 19, 2019

The World Bank delegation led by Country Director Patchamuthu Illangovan called on Punjab chief minister Sardar Usman Buzdar, here on Wednesday and discussed World Bank assisted programs and expansion of bilateral cooperation.

Both sides agreed to expand cooperation in agriculture, livestock, food, education, tourism, urban development and environment and further decided to complete the restructuring of the World Bank assisted smart program by December 31. It was also agreed upon to expedite progress on the Punjab cities program and Punjab green development program. The necessary spadework will be completed at the earliest to speedily complete WB assisted projects.

Patchamuthu Illangovan reiterated that World Bank will continue working with the Punjab government. Secretary P&D informed the meeting that World Bank is providing US $1.7 billion assistance for nine projects in Punjab while four projects, costing 645 million dollars, are in the pipeline.

The World Bank delegation was comprised of manager (operations) Ms Milinda Good, senior operations officer and different experts.

Talking on this occasion, the chief minister termed World Bank as a strong partner of the Punjab government and appreciated its cooperation. “We welcome the World Bank's assistance and cooperation will be extended to it in the future, as well and the early completion of World Bank assisted projects will be ensured for public welfare," he added.

The CM further said that the PTI government is following a policy of composite development and a holistic approach has been adopted to bring poor localities at par with the developed areas. Poverty alleviation and creation of new employment opportunities are our important priorities, he added. He said that youth is a major part of the population and honorable employment could be provided to them through skills development programs which will make the youth self-reliant to help strengthen the national economy.

Provincial ministers Hashim Jawan Bakht, Samiullah Ch, Nauman Langrial, Sardar Hussain Bahadur Dareshk, Bao Rizwan, advisor Dr Salman Shah, Chief Secretary, Chairman P&D, SMBR and high officials were also present on this occasion.

Moreover, the CM chaired a high-level meeting here on Wednesday, to review progress made on the annual development program (ADP).

The chief minister directed to complete ADP projects within their stipulated period of time as timely completion helps in correct utilization of resources and facilitates the people to reap the fruits of development projects.

He directed to expedite work on development schemes adding that schemes relating to healthcare, education and provision of clean drinking water should be completed on a priority basis. The PTI government believes in delivery and line departments are responsible for achieving the targets within their timelines, he added.

https://www.brecorder.com/2019/12/19/554534/world-bank-punjab-agree-to-expand-cooperation-in-different-sectors/

IMF APPROVES $452.5M SECOND TRANCHE OF $6B PACKAGE

By Shahbaz Rana Published: December 20, 2019

ISLAMABAD: The International Monetary Fund (IMF) on Thursday approved the second tranche of $452.5 million of the $6 billion package after Islamabad managed to meet all targets set for the first review of the programme by bringing the country's economic wheel to a grinding halt.

The IMF has once again supported the tight monetary policy stance besides emphasising upon the need to "timely and regularly" increase the electricity tariffs – the two issues that have invited a lot of criticism in Pakistan from independent policy experts and economists.

The Executive Board of the IMF met in Washington and approved the first review of the programme for July-September period of fiscal year 2019-20. In November, Pakistan and the IMF had reached a staff-level agreement on completion of the first review of the $6 billion programme.

"The completion of the review will allow authorities to draw SDR 328 million (about US$452.4 million), bringing total disbursements to SDR 1,044 million or about $1.44 billion," according to a statement issued by the IMF after the board meeting. "Pakistan's programme is on track and has started to bear fruit. However, risks remain elevated. Strong ownership and steadfast reform implementation are critical to entrench macroeconomic stability and support robust and balanced growth."

The IMF once again emphasised upon faster progress to improve the AML/CFT framework and said that swift adoption of all the necessary measures was needed to exit the FATF's list of jurisdictions with AML/CFT deficiencies.

The IMF statement came about a month before Joint Review Group of the Asia-Pacific Group will review progress on the FATF action plan implementation.

Pakistan met the conditions on net international reserves, reduction in net foreign currency swaps, reduction in primary deficit, zero borrowing from the central bank and cap on issuance of new sovereign guarantees.

However, the targets have been achieved by paying a price in shape of low economic growth and increase in poverty and unemployment in the country. In order to meet the IMF targets on Net International Reserves and curbing the demand, the State Bank of Pakistan kept the interest rates artificially high at 13.25%.

But the IMF said, "The current monetary stance is appropriately tight and should only be eased once disinflation is firmly entrenched."

Strengthening the State Bank of Pakistan's autonomy and governance will support these efforts, it added.

The government and the SBP also believe that curbing the domestic demand was critical for bringing economic stability.

The Ministry of Finance did not release the budgetary allocations for development spending and the provinces also saved Rs202 billion cash surpluses in order to meet the IMF targets. All this choked the economic activities in the country.

"The flexible, market-determined exchange rate remains essential to cushion the economy against external shocks and rebuild reserve buffers," according to the IMF handout.

The IMF said that Pakistani authorities had adopted a comprehensive plan to address the accumulation of arrears in the power sector. “Timely and regular adjustment of energy tariffs would bring the sector in line with cost recovery,” said the IMF.

Its full implementation is key to improving collection, reducing losses, and enhancing governance.

The Power Division could not meet the circular debt reduction target for the first quarter and the government had to increase electricity prices.

The current account deficit shrank $4.9 billion or 73% to $1.8 billion during first five months of this fiscal year, according to the SBP. There is consensus among the independent economists that the demand-curb measures that the SBP and the Finance Ministry took were more than the requirements.

The IMF’s second tranche is expected to push the gross official foreign currency reserves over $11 billion. During the week ending December 13, 2019, the SBP reserves increased $1.7 billion to $10.9 billion. This increase is attributed to multilateral and other official inflows, including proceeds of $1.3 billion received from the Asian Development Bank.

The IMF hoped in November that inflation pressures were expected to recede soon, reflecting an appropriate monetary stance. It has urged Pakistan to maintain fiscal prudence, including carefully executing the fiscal year 2019-20 budget, to reduce fiscal vulnerabilities.

The IMF said that Pakistani authorities were committed to sustaining the progress on fiscal adjustment to place debt on a downward path. The planned reforms include strengthening tax revenue mobilisation, including the elimination of tax exemptions and loopholes, and prudent expenditure policies. Preparations for a comprehensive tax policy reform should start early to ensure timely implementation. Enhanced social safety nets would help alleviate social costs and build support for reforms.

It also said that efforts are ongoing to further improve the business environment, strengthen governance, and foster private sector investment. Reform of the state-owned enterprise sector will help put Pakistan’s public finances on a sustainable path and have positive spillovers by levelling the playing field and improving the provision of services, according to the handout.

https://tribune.com.pk/story/2121588/1-imf-approves-452-5m-second-tranche-6b-package/

PUNJAB SEEKS WORLD BANK LOAN FOR CHILDREN HEALTH

Amin Ahmed Updated December 22, 2019

ISLAMABAD: The Pun-jab government is seeking a loan of $200 million from a World Bank-affiliate, the International Deve-lopment Association, to launch a project to meet early child health challenges in the province, it emerged on Saturday.

The "supporting human capital accumulation in Punjab by early investment" project is expected to be approved by the World Bank executive board in February next year.

Project related information released by the WB says that the project is one in a set of WB supported federal and provincial operations in the country.

The human capital challenges faced in early childhood, which is a critical life stage for human capital accumulation, are disproportionately high among low-income households and lagging behind regions in Punjab, according to the project document.

Punjab is home to about 48 per cent of the country's poor and inequality remains a challenge in the province, states the project document. A large proportion of the province's population is clustered around the poverty line and thus remains vulnerable to poverty, especially during shocks such as floods and climate change-induced disasters or economic crisis.

Punjab's inequality is not only in terms of incomes but also in opportunities for human capital investment, details the project. There are large variations in poverty rates across districts, and in human capital indicators by household incomes as well as by geographic locations. Overall health and education outcomes are far poorer among households in south Punjab, where the poverty rate of 39 per cent is almost twice as high as the province's average of 21 per cent.

Southern Punjab has the highest percentage of malnutrition and undernourishment population. Among the eleven project districts, Layyah district is on top with 29.6 per cent of stunted growth.

Moreover, due to poor nutrition facilities and lack of access to basic healthcare services, the percentage of children under the age of five with diarrhea is 25 per cent in Dera Ghazi Khan and 30 per cent in Layyah district, the highest such figures for districts in Punjab.

An immediate source of lagging in early childhood human capital outcomes among vulnerable households can be found in their underutilisation and low-quality of key health services, explains the document. A more fundamental factor that is detracting from human capital investment in early childhood is social and economic exclusion of women in poor households.

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https://www.dawn.com/news/1523625

NEWS COVERAGE PERIOD FROM DECEMBER 23 TO 29

IMF RELEASES SECOND TRANCHE OF $454M

The Newspaper's Staff Reporter Updated December 27, 2019

KARACHI: The government on Thursday received second tranche of $454 million from the International Monetary Fund (IMF).

The transfer will be added to the State Bank's foreign exchange reserves next week.

However, during the week ending Dec 20, the SBP's reserves increased by $14m to $10.907 billion. On the other hand, reserves held by the commercial banks decreased by $74.7m bringing the country's total reserves down to $17.595bn.

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https://www.dawn.com/news/1524671/imf-releases-second-tranche-of-454m

IMRAN'S GOVT MAY SEEK IMF NOD FOR FIXED TAX REGIME

By Salman Siddiqui Published: December 29, 2019

KARACHI: The Pakistan Tehreek-e-Insaf (PTI) government is considering seeking International Monetary Fund's (IMF) consent for introducing a fixed-tax regime for builders and developers to boost the construction sector and allow construction of taller buildings in the city of ports.

In this regard, the Association of Builders and Developers of Pakistan (ABAD) sent a letter to the IMF a couple of days ago for a separate meeting to explain how the fixed-tax regime would be beneficial to generate higher amount of tax revenue for the government.

Earlier, the Federal Board of Revenue (FBR) had worked out modalities and mechanism for the regime. However, IMF conditioning under its latest $6 billion loan programme restricted the government from moving forward with the plan.

Prime Minister Imran Khan constituted a high-powered committee on Friday to deliberate upon the fixed-tax regime with representatives of ABAD.

"Adviser to PM on Finance and Revenue Abdul Hafeez Shaikh is the chairman of the committee. He is scheduled to chair a meeting in this regard on Monday. FBR Chairman Shabbar Zaidi is one of the three-four members of the committee," ABAD former chairman Muhammad Hasan Bakshi told The Express Tribune. He was among the businessmen who met with PM Imran at the Governor House, Karachi, on Friday.

Earlier in October, the FBR worked out a fixed tax of Rs210 per square foot to be paid by the builders and developers on the construction of commercial buildings nationwide. The rate for residential buildings would vary from city to city, while a waiver of up to 90% would be available on low-cost housing schemes.

The tax would be paid in advance. The construction of each building would be completed in a maximum of three years.

The fixed-tax regime is proposed to replace the 33% tax on income from construction projects and an advanced tax on services being paid by the builders and developers at present. The tax would also bring an end to the assessment of projects by the FBR and close the door for bribes and corruption.

"We have assured PM Imran that the fixed-tax regime would double the amount of tax revenue for the government compared to the highest-ever taxes collected from the construction sector in any of the past 72 years," said Bakshi, who is also a member of the prime minister's task force on housing.

"He (PM Imran) has checked with the FBR chairman …the fixed tax would double the amount of tax revenue from real estate….generate construction activities and help document the economy," said Arif Habib Limited, Chairman Arif Habib, who was also present in the meeting.

While talking to the prime minister, Habib said that reports suggested the IMF had some reservations against the fixed-tax regime and he expressed hope that the prime minister and his economic team would resolve the issue with the lender. "They (PM and his economic team) were positive," he said.

Bakshi added that the government has amended the civil aviation laws to allow construction of taller buildings in Islamabad and Lahore. However, the same is yet to be done in the case of Karachi. “The prime minister has assured us he will allow construction of taller buildings in Karachi (as well).”

He said there were some areas in Karachi where builders and developers cannot construct a building beyond the height of 20-40 feet. “We are not flying old planes which need 20 feet height. The Civil Aviation Authority should improve its equipment at Karachi airports if there are some issues,” he said.

The tallest building of the country – which is around 62 floors – is located at the costal belt of Karachi.

Habib said that the prime minister also responded positively upon his suggestion that the government should supply subsidised gas to two fertiliser manufacturing units, which have been lying closed these days. “The resumption of manufacturing would help earn foreign exchange worth $250 million, as the two units would export the fertiliser,” he added.

He said one unit of Fatima Fertiliser and another one of Agritech are lying closed due to no supply of gas, which remains a basic raw material, he said.

Apart from this, PM Imran also flagged potential investment areas like tourism and mining to the business community. “Switzerland earns $80 billion from tourism industry in a year.

The size of Pakistan’s northern areas of tourism spots stands double than the Switzerland. Tourism sector of Pakistan has enough potential to attract huge foreign currency inflows,” Habib quoted the prime minister as saying.

Published in The Express Tribune, December 29th, 2019.

https://tribune.com.pk/story/2126763/2-imrans-govt-may-seek-imf-nod-fixed-tax-regime/