The Pakistan Business Council

FOSTERING ECONOMIC GROWTH

ACTIVITY REPORT

This report summarizes the activities of
The Pakistan Business Council (PBC) for the period

October - December 2023

Fiscal Year 2023-24

Major Advocacy Activities & Events During The Quarter

The major advocacy activities of the Pakistan Business Council and its workings for the quarter under review are summarized below:

Visit of the Chairman SECP to the PBC

The Chairman SECP, Mr. Akif Saeed visited the PBC to discuss governance related issues of the corporate sector in Pakistan. He strongly advocated that PBC members actively participate in the ongoing review of the Company Law as the SECP wanted to update the Company Law keeping in view changes in both the business environment & the global regulatory regime

Meeting with the IMF Mission Chief and the IMF Pakistan Representative

Mr. Nathan Porter and Ms. Eshter Perez, IMF Mission Chief and IMF Pakistan Representative met the PBC to discuss progress on the Stand By Arrangement (SBA) and the shaping of the 24th IMF Program. PBC members emphasized the need for incorporating long term structural reforms as part of the 24th Program.

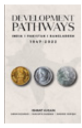
Visit of the World Bank President for South Asia & the World Bank Country Director to the PBC

Mr. Martin Raiser, World Bank President for South Asia and Mr. Najy Benhassine, World Bank Country Director for Pakistan visited the PBC for discussions on the role of the private sector in the World Bank's "Reforms for a Brighter Future" program.

Dr. Nadeem Ul Haque Visits the PBC

Dr. Nadeem Ul Haque Deputy Chairman Planning Commission visited the PBC for a discussion on PIDE's "Islah" Programme. In addition to being the Deputy Chairman Planning Commission, Dr. Nadeem Ul Haque is also the Vice Chancellor of the Pakistan Institute of Development Economics (PIDE)

Visit of Dr. Ishrat Husain to the PBC



Dr. Ishrat Husain, visited the PBC to share the major findings of his latest book "Development Pathways : India | Pakistan | Bangladesh". The event was followed by a book signing ceremony.

PBC's Meeting with Dr Gohar Ejaz, Federal Minister for Commerce, Industries and Investment and Mr. Sualeh Faruqui, Secretary Commerce

The Chairman, PBC, several directors and the CEO met the minister and secretary at the Governor House, Karachi to discuss exports and industrial revival.

CEO's Participation in Meetings & Webinars

The PBC CEO participated in the following meetings, events, webinars to promote the PBC's agenda:

Met Mr. Shan Ashary of Al Jomaih Group, principal investors in K-Electric to discuss issues of a major foreign investor in Pakistan

Met with a delegation from Delphos International, a Washington DC, USA based global growth investment partner of USAID to discuss investment opportunities in Pakistan

Was the Key note speaker and Chief Guest at Pakistan Society of Human Resources Management's Annual Awards

	Participated as the Key note speaker at the Institute of Chartered Accountants of Pakistan/ Institute of Cost and Management Accountants Annual Corporate Report Awards
	Chief Guest at the August Leadership's inaugural "Boards of the Future" event
	Attended the Atlantic Council, USA's conference on Pakistan
	Participated as a Moderator on a panel discussion on "Business and Investment Landscape" at the Nutshell's "The Future Summitt"
	Moderator at the Adab Festival Karachi's panel discussion on Dr. Ishrat Husain's book: "Development Pathways" comparing Pakistan's growth journey with Bangladesh and India
	Met with Dr. Jahanzeb Khan, Director General SIFC and Deputy Head of the Planning Commission to discuss transformative reforms in the investment climate
	Attended various COP28 sessions in the UAE on mitigation and adaptation challenges to manage the impact of climate change

	Attended various World Climate Summit sessions on the role of innovation in addressing climate change
	Met Professor Stefan Decron of Oxford University to discuss Elite Capture in Pakistan at a meeting organized by the British High Commission
	Detailed discussions with the Ministry of Planning to provide input on the "13th Five Year Plan for International Trade and Finance - Balance of Payments"
	Was Moderator at a panel discussion at the "Creating Livelihoods" event
	Attended the British High Commission's "Accelerating Green Finance" study launch event
	Participated as a panelist at the Jinnah Institute's "Centigrade" event to provide a private sector perspective on climate change
	Signed an MOU on cooperation with the ACCA on ESG and investment promotion

Director Research's Participation in Panel Discussions

- Was a panelist at the 'Transformation of Private Sector in Pakistan' at the Institute of Business Administration, Karachi
- Was the Review Panelist on a simulation exercise on Pakistan's FTAs with Sri Lanka & Malaysia at the National School of Public Policy Lahore

Major Engagements of the Resident Director Islamabad

- Spoke at the panel on "Addressing Pakistan's Inflation Woes: A Public-Private Roundtable Discussion" organized by the SDPI
- Represented industry's position at sub-committee on implementation of reform measures organized by the PCSIR

Meetings/Visits by Resident Director Islamabad

S. No.	Name of Person Visited	Purpose	
1	Mr. Ashfaque Memon Joint Technology Adviser	Restarted discussion on Harmonization of Food Standards Agenda.	MINISTRY OF SCIENCE AND TECHNOLOGY
2	Mr. Azhar Hafeez Deputy Director, PRMI, Board of Investment	Updated on Pakistan Business Portal project.	BOI Prime Minister's Office Board of Investment
3	Mr. Amjad Aman Secretary Exports, Federal Board of Revenue	Updated on issuance of amendments in Export Facilitation Scheme.	FBR PAKISTAN
4	Mr. Ali Raza Bhutta Secretary, Ministry of Science & Technology	Restarted discussion on Harmonization of Food Standards Agenda.	MINISTRY OF SCIENCE AND TECHNOLOGY
5	Board of Investment	Discussed implementation of One Window portal for food industry	BOI Prime Minister's Office Board of Investment
6	Mr. Khashih ur Rehman Additional Secretary, Board of Investment	Courtesy Call	BOI Prime Minister's Office Board of Investment
7	Mr. Ahmed Fasih Joint Secretary, WTO, Ministry of Commerce	Discussed PBC's stance on Moratorium on Electronic Transmissions and Signing Information Technology Agreement	GOVERNMENT OF PAKISTAN MINISTRY OF COMMERCE

S. No.	Name of Person Visited	Purpose	
8	Mr. Syed Hamid Ali Additional Secretary Trade Policy, Ministry of Commerce	Discussed ongoing priorities for PBC.	GOVERNMENT OF PAKISTAN MINISTRY OF COMMERCE
9	Mr. Ahmed Qadir Competition Commission of Pakistan	Courtesy Call	Competition Commission of Pakistan
10	Mr. Faheem Sardar Policy Specialist National Security Division	Courtesy Call	National Security Division
11	Mr. Jehanzeb Khan, SAPM on Government Effectiveness	Accompanied CEO to the meeting	
12	SDPI's Sustainable Development Conference	Spoke at panel on "Addressing Pakistan's Inflation Woes: A Public-Private Roundtable Discussion".	SDPI
13	Ms. Aisha Humera Moriani	Reconnected at a dinner	Ministry of Information Technology
14	Mr. Mosharraf Zaidi, Tabadlab	Introductory meeting at a dinner	TABADLAB
15	Mr. Zawar Hussain Joint Electronics Adviser Ministry of Science & Technology	Discussed the government's plans to develop an Electronics Policy	MINISTRY OF SCIENCE AND TECHNOLOGY
16	Pakistan Standards & Quality Control Authority	Represented industry's position at sub-committee on implementation of reform measures.	PSQCA

Internal Workings of The PBC

45th PBC Audit Committee Meeting

The 45th meeting of the PBC Audit Committee was held on October 3rd, 2023 at the PBC. The Audit Committee reviewed the Accounts of the PBC for the year ended June 30th, 2023 and recommended their approval by the Board.

89th PBC Board of Directors Meeting

The 89th PBC Board of Directors Meeting was held on October 3rd, 2023. The Board reviewed the accounts for the year ended June 30th, 2023 and recommended their approval by the members at the AGM fixed by the Board on October 27th, 2023.

18th Annual General Meeting of the PBC

The 18th Annual General Meeting of the members of the PBC was held on October 27th, 2023. The members approved the Accounts for the year ended June 30th, 2023 and also the appointment of the Auditors for the year starting July 1, 2023.

Press & Media Coverage

BUSINESS RECORDER
Founded by M.A. Zuberi

PBC urges govt to lower power tariffs

December 28, 2023

The Pakistan Business Council (PBC), the country's largest corporate sector advocacy platform, has urged the government authorities to lower power tariffs.

"Higher power tariffs discourage consumption by honest consumers and create a higher incentive for theft by others," the PBC said on social media platform X on Thursday. "Net result is more unutilized generation capacity, higher capacity charges and further pressure on circular debt," it said.

The council was of the view that lowering tariffs would 'reverse' these factors.

"With substantial unutilized generation capacity, marginally priced power for productive sectors of the economy, such as industry, leads to higher employment and economic activity, which also generate tax revenue and exports," it said.

The PBC urged the authorities to lower tariffs for domestic users in winter months on an immediate basis. "Incentivize switch away from gas for heating and cooking."

"None of this is rocket science. So why the inertia?"

Back in October, the PBC floated proposals to slash electricity tariff up to Rs6.5 per unit through different measures including renegotiation on tenor of debts of CPEC IPPs.

PBC, in its proposal, explained that Pakistan suffers from the highest electricity costs in the region. The competitiveness of the industry and its capacity to create employment and generate exports is impeded by the burden of unutilised generation capacity, inefficiencies in transmission, theft, non-recovery and cross-subsidies to residential consumers.

Businesses in Pakistan have frequently voiced their concerns over rising energy rates, as they believe that the high power tariff would leave the local industries uncompetitive.

Last week, the All Pakistan Textile Mills Association (APTMA) demanded that the government bring power tariffs down to a regionally competitive level of 9-10 cents/kWh where Pakistan's exports are competitive in international markets.

The association urged caretaker Federal Minister for Energy Muhammad Ali to expedite the reform process considering the gravity of the situation.

THE EXPRESS TRIBUNE

EXIM to become operational soon

Tasked with diversifying exports, creating import substitution opportunities

Salman Siddiqui

December 26, 2023

KARACHI: Fulfilling another International Monetary Fund (IMF) condition, the caretaker government has finally operationalised the state-owned EXIM Bank, the export and import development finance institution (DFI), in line with global practices. This move assigns the bank the crucial task of growing and diversifying the country's exports while creating import substitution opportunities.

CHALLENGES AHEAD: "Although the government has provided a portion of the required financing to the EXIM Bank, it still remains on paper," said the PBC CEO, adding that the bank head office is located in Islamabad – far away from export hubs of the country including Karachi, Lahore, Faisalabad and Sialkot. PHOTO: FILE

The establishment of the EXIM Bank marks the end of the State Bank of Pakistan's (SBP) role in disbursing concessional financing to exporters. Instead, the SBP will now focus on its regulatory responsibilities.

Speaking to The Express Tribune, the CEO of the Pakistan Business Council (PBC), Ehsan Malik, welcomed this long-awaited move, anticipating that it would provide a higher amount of required funding at subsidised rates to exporters. The goal is to make Pakistan's exports more regionally competitive and tap into future markets such as Africa and Central Asian Republics (CARs).

However, the public commencement of the bank's operations is expected to take another couple of months.

Malik, who attended a meeting chaired by Caretaker Finance Minister Dr Shamshad Akhtar, expressed optimism about the bank's potential.

"Although the government has provided a portion of the required financing to the EXIM Bank, it still remains on paper," he said, adding that the bank head office is located in Islamabad – far away from export hubs of the country including Karachi, Lahore, Faisalabad and Sialkot.

He noted that the EXIM Bank is currently in its initial stages, with a small team and no branches. He highlighted the need for additional financing to commence and expand operations nationwide. Despite the challenges, Malik hopes that the bank will make significant progress before the completion of the ongoing IMF loan programme in March 2024.

Until August 2023, the central bank had provided subsidised financing to commercial banks at a rate of 19%, representing a 3% discount from its key policy rate of 22%. These funds were then disbursed to exporters by commercial banks to meet operational working capital requirements, incorporating profit margins.

According to data compiled by the central bank, commercial banks had extended an outstanding sum of Rs691 billion under the Export Finance Scheme (EFS) and an additional Rs151.6 billion under non-SBP export financing as of July 2023. Cumulatively, these figures account for around 12% of the total Rs7.06 trillion in loans to private sector businesses in August.

The central bank initiated the gradual phase-out of subsidised financing through the export finance scheme (EFS) and Islamic EFS (IEFS) around four months ago. The transition to the EXIM Bank means that banks may now be required to utilise their own resources and subsequently claim subsidies, rather than relying on funding from the central bank.

EXIM Bank Functions

EXIM banks operate globally and play a crucial role in helping exporters expand their reach across the world. After the inauguration of the EXIM Bank in Islamabad, Finance Minister Shamshad Akhtar highlighted that such banks disbursed a staggering $2.5 trillion in trade finance alone last year.

According to Malik, one prominent function of the Export-Import Bank will be offering insurance on financing to exporters to cover risks. This is particularly valuable for exporters targeting riskier markets in Africa and Central Asia.

The bank may face a daunting challenge in maintaining a balanced insurance portfolio, given that major exporters dealing with renowned entities in the West, such as Adidas and Nike, might not utilize insurance products, relying on the trustworthiness of their buyers.

However, exporters seeking to establish a presence in African and Central Asian markets are likely to embrace insurance options to mitigate risks. International banks often refrain from accepting guarantees provided by central banks associated with riskier markets, making insurance an attractive choice for exporters in these regions.

The primary function of the EXIM Bank will be to provide financing to exporters to enhance the sale of goods and diversify from textile-dominated exports, said Malik. The bank will also offer funding for interest payments on export credit, providing a financial cushion for global importers over negotiated periods.

The EXIM Bank is expected to disburse higher financing to compete in markets with strong competition, such as the US, UK, and Europe. The increase in interest rates in these regions has impacted Pakistan's export dynamics, as 55% of the country's exports are directed toward the US, UK, and Europe.

Additionally, the bank is anticipated to provide financing for import substitution and support the export of plants and machinery, an area where Pakistan has yet to establish a significant presence.

DAWN

Rising freight costs may disrupt supply chains

Aamir Shafaat Khan

December 24, 2023

KARACHI: The arrival of imported raw materials and finished goods, as well as export shipments to European countries and the United States, may face hardships due to rising freight charges following an extended travel time caused by intensifying attacks on shipping vessels by Houthi militants in the Red Sea.

As a result, consumers will bear the brunt of paying higher prices for various goods when stakeholders adjust to the rising freight costs on imported items, including raw materials and finished products.

Former chairman of the Pakistan Ship Agents Association, Mohammad Rajpar, stated that there is currently a significant impact on vessel freight rates due to attacks, prompting foreign shipping lines to consider new routes. A couple of major lines have imposed a $1,500 surcharge, leading to almost a 100 per cent increaseinfreightrates.

`If negative developmentspersist, freight rates could more than double or triple in the next six to 12 months, as witnessed during the Covid-19 pandemic,` he cautioned.

Mr Rajpar mentioned that the arrival of goods and exports between Pakistan, China, and the Far East, holding a sizable volume, will remain unaffected, as these ships do not use the Red Sea. However, potential issues may arise in the import and export of goodsbeing shipped via European and American shipping lines through the Red Sea.

He noted that Pakistan`s exports to Europe and America may slow down in December, given that most Christmas orders have already been sent to their respective destinations.

`We will assess the situation after mid-January 2024 in case the attacks intensify,` Mr Rajpar said, adding that theUnited States and its allies have taken steps to intercept the attacks.

Businessmen Group Chairman Zubair Motiwalla expressed concern that ocean freights may escalate to $5,000 per container, a substantial increase from the current $550-600. This could occur if commercial ships opt to redirect their routes to the southern tip of Africa instead of the Suez Canal, thereby extendingthe route by 3,500km for Europe and 6,000km for the US compared to the Suez Canal.

Such a redirection could potentially double or triple the freight rates.

Mr Motiwalla emphasised that the Suez Canal has remained the shortest route for cargo movement between Asia and Europe. He recalled that shipping lines, in times of crisis, had historically taken longer routes to ensure twoway movements of goods.

`Upon intimation from foreign shipping lines, the arrival time of goods from Europe could be extended by up to 20 days if shipping lines choose the new routes via Cape Town, resulting in additional fuel costs.

Due to delays in arrivals from Europe, exporters will need to maintain a three-month raw material inventory, compared to the previous one-anda-half months` stock level, he said.

In this scenario, prices of all goods both imports and exports will significantly increase, he said. A silver lining is that export/import trade from China and the Middle East is likely to remain safe.

Convener on Shipping Affairs of the Federation of Pakistan Chambers of Commerce and Industry, Abdullah Farrukh, said, `Ithink the cumulative impact on goods in a 40ft container will remain minimal after reports of a rise in freight rates by $200-1,000 per container by the shipping companies as a result of extended transit time.

`So far, non-European vessels are safe in the Red Sea, and only European and Americanbound carriers are facing attacks,` Mr Farukh said.

He mentioned that the route from Singapore to Rotterdam used to take 26 days for a ship covering 8,500 miles via the Suez Canal, now, it will take 36 days and cover 11,500 miles through the African route.

Chief Executive of the Pakistan Business Council (PBC), Ehsan Malik, said the attacks on shipping vessels would affect all sources of shipments east of the Red Sea and raise costs for customers in demand-constrained countries in the West. `It is not a favourable development, leaving aside the political objectives of the obstruction,` he added.

Former vice president of the Karachi Chamber of Commerce and Industry, Younus Soomro, expressed concerns that trade and industry worldwide may face an additional burden of $1.5 billion to $2 billion during January-March 2024 in terms of freight rate hil(es by the shipping lines.

INTERNATIONAL THE NEWS

PBC urges innovation from EXIM Bank to tap riskier markets

December 23, 2023

KARACHI: Pakistan's state-run Export-Import Bank (EXIM Bank), which became operational this week, will need to devise innovative solutions to promote exports of non-traditional items and tap into riskier markets in Africa and Central Asia, the Pakistan Business Council (PBC) said on Friday.

The PBC, a business policy advocacy group, said on the social media platform X that the EXIM Bank would have to balance its portfolio risk exposure between safer and riskier markets, as well as between large and small exporters.

"With a narrow export basket and heavy reliance on USA/EU/UK, the bank will need innovative solutions to target export of non-traditional items and to address the riskier markets of Africa and Central Asia," the PBC said.

"A challenge to overcome for the Bank would be to balance its own portfolio risk exposure between riskier and safer markets on the one hand and between large and SME clients, on the other."

The PBC said larger exporters are generally comfortable in dealing with leading chains and importers in the West. "For this they usually don't require credit risk cover and will represent a very small percentage of the bank's credit risk portfolio," it added

"On the other hand, smaller exporters to markets in Africa and Central Asia would be the banks clients for insurance. GOP (Government of Pakistan) would need to support the bank through EDF (Export Development Fund) or alternative sources, otherwise running an imbalanced risk portfolio would be difficult for the bank."

The caretaker government formally activated the Exim Bank on Thursday and declared that the export finance schemes, or EFSs, would be transferred to the Exim Bank after being gradually phased out from the State Bank of Pakistan as required by the International Monetary Fund's loan programme.

The Exim Bank would now oversee the operations of the EFSs, and the SBP would carry out regulatory tasks like eligibility and disbursement procedures. Exim Bank would assist exporters in boosting Pakistani exports' competitiveness internationally by providing financing, credit insurance, and guarantee services.

The PBC said that the EXIM Bank should benchmark its concessional lending rates with those offered to exporters in Bangladesh, India and Vietnam, which are Pakistan's main competitors in the global market.

"PBC has for long advocated the operationalisation of the EXIM Bank and is delighted that it will now be able to provide export credit as well as risk cover at rates comparable to those of Pakistan's competitor sourcing countries."

Meanwhile, the Union of Small and Medium Enterprises (UNISAME) said if the Exim Bank of Pakistan performs as per its definition and according to international standards, it will play an important role in enhancing exports and also facilitate much needed imports of essential raw materials.

“The export credit guarantee and other guarantees of performance given by bidders to overseas importers both governments and private importers will boost our contractual exports. Besides guarantees it will also be able to manage the escrow accounts and also finance both exports and imports.”

DAWN

IMF conditions suppress growth: industry leaders

November 17, 2023

KARACHI: Extending a cautious welcome to the Staff-Level Agreement, the business community believes that the time has come to generate more resources to boost trade and industry instead of approaching the International Monetary Fund (IMF) again in April next year.

Federation of Pakistan Chambers of Commerce and Industry (FPCCI) President Irfan Iqbal Sheikh said the business community stood by the government to surpass its revenue generation target despite all odds — and, above all, the unbearable cost of doing business in the wake of higher electricity, gas and petroleum prices.

He, nonetheless, reiterated FPCCI's stance that Pakistan must embark on a tangible, pragmatic and business-friendly plan to get rid of the IMF and its unnecessary and ruthless conditionality which evaporates any possibility of business and economic growth.

Pakistan can generate more resources by boosting trade and industry than knocking at the doors of the IMF again in April 2024 after the completion of the ongoing 9-month $3bn Stand-By Agreement in March 2024.

He questioned why the economic team of the government has still not been able to secure other sources of cheaper external financing from multilateral sources and international financial institutions (IFIs) like the World Bank, International Finance Corporation (IFC), Asian Development Bank (ADB)and Islamic Development Bank (IDB).

Due to the lack of institutional arrangements with IFIs, Pakistan will continue to rely on bilateral loans from friendly countries to complete the current IMF programme – while the country's preference should have been investment, trade and industrial collaboration with friendly countries, he added.

He urged the government to tighten its regulatory oversight now over the speculative trading of dollars by commercial banks as the interbank market has shown depreciation of rupee over the last 17 sessions consecutively.

He supported the proposed 40pc tax on the windfall profits of the commercial banks for 2021 and 2022.

Pakistan Business Council CEO Ehsan Malik said in interactions with the IMF the council has consistently advocated equitable distribution of tax, energy and other targets that the fund imposes.

"PBC maintains that the front-loaded targets such as tax revenue or energy tariffs that it sets address the symptoms and not the cause of Pakistan's problems which are weak political will and poor capacity of the FBR to broaden the tax base as well, theft, transmission and distribution inefficiencies of the energy sector," said Mr Ehsan.

The burden of IMF's measures falls unfairly on the formal sector and creates a greater incentive to evade by the informal sector, he remarked.

All Karachi Industrial Alliance chairman Mian Zahid Hussain said that the IMF loan was a short-term option to save the country from bankruptcy, while the poor and the middle class are forced to bear the entire burden of the IMF conditions as a large portion of the economy remains undocumented.

He said the country's taxation system is flawed and the share of direct taxes is very low. Nobles and feudal lords are not burdened by the strict conditions of the IMF. Non-filers, non-taxpayers, or nominal tax-paying sectors also escaped the effects of strict conditions and only taxpayer sectors have faced the problem, he said.

DAWN

Happy with caretakers, but big business wants them to go home

Afshan Subohi

December 18, 2023

It is noteworthy that the entire business community in Pakistan currently refrains from endorsing the idea of extending the caretakers' tenure despite its recognition of the improved economic governance under Prime Minister Anwaarul Haq Kakar.

The business community unanimously advocates for timely elections and a peaceful transfer of power to the next democratically elected government, emphasising the importance of stability and progress.

The current government's measures to curb smuggling, control power theft and line losses, and enhance confidence levels among investors and consumers have received commendation from various private-sector forums.

The relative stability in the currency market, an upswing in the capital market and sustained financial inflows from donors and a few overseas investors have interrupted the cycle of negative economic news. Although concerns persist regarding high taxes, utility rates and credit issues, the economic horizon appears less bleak than before.

Businesses have traditionally supported unelected rulers for apparent stability and high growth

Two decades ago, many business leaders held a different stance. Some openly opposed democracy while others passionately detested the political class for their perceived corruption and incompetence. As a segment, they actively supported military dictators, not necessarily for lack of option but because they considered the dictators more suited to Pakistan's milieu.

They would make the argument of relative stability and high growth under military rule and punctuate it with the timeline of GDP growth data. It was argued that historically General Ayub, General Zia and General Musharraf had been more receptive to their ideas and responded better to their demands.

It's challenging to pinpoint what prompted the change of heart — a collective shift in the private sector's preference for the lawfully elected government. Are business leaders sensing a tectonic change in the power equation in Pakistan? For decades, the martial forces held unchallenged control in the country. Everyone who was anyone understood that and maintained a carefully calculated stance of being apolitical, keeping a safe distance from politicians and their antics to secure a favourable position among those who mattered the most.

The individual who was named for making the suggestion was taken by surprise when contacted by phone. Completely oblivious to the controversy, he casually brushed off the rumour as baseless. He said it was nothing more than a product of someone's imagination and was aimed at further dividing an already fractured political landscape.

Several past presidents of the Federation of Pakistan Chamber of Commerce and Industry (FPCCI) distanced themselves from a current that posed a threat to the already challenging journey of Pakistan.

Responding briefly from Lahore, former FPCCI president Mian Nasser Hayat Magoon said: "Nothing is acceptable at the cost of democracy." Chaudhry Muhammad Saeed, another former president of the FPCCI, expressing his views from Mirpur, Azad Kashmir, firmly advocated for timely elections. "The country cannot afford any more disruptions in the political process," he said. He criticised deceptive elements for generating unfounded controversies, asserting that such elements peddle fear for personal gains, ultimately harming the interests of the country and its people.

Industrialist Arif Habib categorically refuted any discussion regarding the extension of the current government's tenure in the well-attended meeting with the caretaker prime minister.

Majyd Aziz, an influential industrialist from Karachi, echoed the sentiments, affirming his support for holding elections as scheduled.

Badruddin Kaker, a prominent businessman from Quetta, cautioned against the spread of rumours and dismissed the notion of delaying elections as perilous. In a recorded message, he emphasised the need for a robust government with a mandate to address the intricacies of the economy in accordance with the aspirations of the people.

Pakistan Business Council CEO Ehsan Malik conveyed his eagerness for comprehensive reforms aimed at rectifying deep-seated flaws within the economy.

"Fundamental reforms require both time and political will, qualities more readily available to a government with a five-year mandate. The caretaker government has done a good job in setting us on the right course," he said.

Conversely, the secretary general of the Overseas Chamber of Commerce and Industry refrained from offering any comment on the issue.

Musadaq Zulqarnain, a highly regarded and insightful businessman hailing from Punjab, stated: "People are entitled to their opinions, but I cannot endorse an unconstitutional option. Furthermore, the historical record holds testimony that unelected governments have consistently ended up in exacerbating the economic and geopolitical challenges faced by the country".

An executive from a utility company, also present at the said gathering, said the discussion during the meeting primarily revolved around the topics of electricity and gas supplies as well as their pricing. The executive added: "The issue of elections or any potential delay was not raised throughout the course of the meeting in Islamabad".

It's significant that Sindh Governor Muhammad Kamran Khan Tessori facilitated the said meeting.

DAWN

The saga of grey food trade

Nasir Jamal

October 9, 2023

Last week, the interim government took an important decision as part of its ongoing drive to stem rampant smuggling via Afghan transit trade: Islamabad has tightened the transit regime, banning the import of several items through its territory under it.

The prohibited items — tyres, black tea, cosmetics, vacuum flasks, home appliances, fabrics, dry fruit, etc — are largely rerouted into the Pakistan markets, mostly directly from the ports.

A 10 per cent fee on some other imports like chocolates, footwear, machinery, blankets and garments and a new condition of bank guarantees equal to the duties and taxes on the imported goods have also been imposed to ensure that the goods transported under the Afghan Transit Trade Agreement (ATTA) reach their final destination. These guarantees can be encashed in case the imported goods do not reach Kabul.

But cross-border illegal trade isn't the only threat to the economy and manufacturing industry. The under-invoicing of imports from the country's airports and seaports under the guise of legal trade is another major area which is inflicting huge losses to manufacturing.

The Pakistan Business Council (PBC) last week quoted the International Trade Centre (ITC) to underline that there was a $7.5 billion disparity between the export value declared by four countries — China, Singapore, Germany and the UK — to Pakistan and the corresponding import values reported by the Pakistan Customs in 2022.

The total value of smuggle-prone food items is $9bn, equal to nearly 3pc of GDP

The PBC has estimated a tax revenue loss to the government of between Rs579bn and Rs964bn at the average exchange rate due to under-declaration of the value of imports from these countries.

Likewise, some money transfer firms believe that importing under-invoiced goods, especially high-end items like branded watches, designer purses, and expensive perfumes, from Dubai and other Gulf countries is even greater than from these four countries. The value of the under-invoiced imports from the Gulf nations cannot be estimated in exact terms because these countries don't share trade data with ITC.

How smuggling and grey trade affect investments in the local manufacturing industry and the government revenues can also be gauged from its impact on the packaged food industry. A research report by the Lahore Chamber of Commerce & Industry (LCCI) shows that Pakistan is losing $2.63bn a year due to food smuggling and grey imports.

The total value of smuggle-prone food items is $9bn, equal to nearly 3pc of GDP. In 2019, the then trade minister Abdul

Razzak Dawood took bold actions to contain illegal food trade through grey channels despite strong resistance from large importers and powerful retailers involved in food trafficking.

The trade ministry issued an order through SRO-237, requiring imported packaged food products to have 66pc shelf life at the time of import, ingredients mentioned in both English and Urdu and have halal certification from prescribed accredited authorities along with the logo and labelling in a specified format.

It also disallowed the use of stickers to mention these details to ensure that the imported products are quality standard compliant and brought in through legal channels.

Implementing the order immediately resulted in reduced grey imports of packaged food products and instated incentives for the manufacturers to produce and market their local substitutes, fully compliant with the local regulatory requirements and health safety standards.

Many small food manufacturers, including home businesses, found a business opportunity for them, and new, small local food brands hit the shelves of supermarkets and departmental stores, selling at a much cheaper rate than the smuggled products. Foreign food manufacturers also introduced their brands to test the market by legally importing their products from their facilities in other countries, compliant with the ministry's order and requirements.

However, PBC chief executive officer Ehsan Malik says the incentives created by the 2019 order are almost rendered ineffective now because of the influx of smuggled and under-invoiced food products, which undercut the price of their local competitors as well as legally imported items, due to increase in illegal and grey trade in the last one year.

"The commerce ministry's order was one of the excellent decisions made by the then government. But Pakistan's porous borders, unhindered import channels and lax implementation of the food import conditions have again increased the inflow of non-compliant products into local markets, resulting in declining volumes and higher costs of compliance for domestic food companies, and is eventually causing massive tax loss to the government."

A food company executive says the grey food trade — like any other smuggled product — is a scourge for the local manufacturers and multinationals, as well as legal imports since it imposes heavy compliance costs and unfair competition on legitimate businesses.

"Besides the significant negative impact on the government's tax revenues, it also is responsible for loss of remittances because the foreign exchange for settlement of payments for illegal trade is either arranged in Dubai or flown out of the country, through the illegitimate hundi/hawala network. Under-invoicing or under-declaration of the value of the imports is not possible without payment of the difference in the actual and declared values through illegal hundi/hawala system."

"The health safety concerns should be enough for a strong crackdown to protect the consumers besides plugging revenue losses to the government and save the documented industry from imminent closure," former LCCI president Abdul Basit, who is into value-added packaged food business, argues.

He is of the view that the elimination and reduction of the grey food trade will reinstate market development incentives for both local and foreign firms facing existential challenges from the influx of non-compliant products.

Mr Basit insists that violation of food regulations, discrepancies in labelling, questionable halal certifications, lack of traceability and the risks associated with products transported through unsuitable, unhygienic supply chains pose a serious health hazard to consumers.

“There is also no way of making sure that the smuggled and under-invoiced products are not expired since these are bought in bulk in sale abroad.”

Mr Malik says a clampdown on grey channel trade, tighter border controls and enforcement of the ministry’s order is crucial for food safety concerns and stop revenue and massive foreign exchange leakages. “This becomes even more important in case of illegal food trade to restrict the influx of potentially unsafe food products.”

The businesses are all for the ongoing anti-smuggling drive, but they think it cannot be fully controlled only by strengthening controls along the borders with Afghanistan and Iran. Nor any single agency can handle it successfully on a sustained basis.

“All stakeholders — the Federal Board of Revenue, Customs, port authorities, provincial food authorities, the Pakistan Standards & Quality Control Authority, provincial law enforcement agencies, etc — must work hand in hand to get rid of this menace.

In the case of packaged food, and to enforce the imported food safety conditions, the role of the provincial food authorities and law enforcement agencies becomes even more crucial. There also is a need for better coordination between federal and provincial authorities, law enforcement agencies, and other relevant institutions to deter retailers from stocking and selling smuggled products.

“Federal and provincial agencies should evolve a mechanism for close coordination to curb parallel trade. A sustained successful drive against illegal trade not only requires stringent border/port controls but also stern measures to discourage sale of such items and products by the retailers. This is important because you cannot completely seal borders and ports,” Mr Basit concludes.

DAWN

IMF deal: a boon and a burden

Afshan Subohi

November 20, 2023

The caretaker government is jubilant, feeling a sense of vindication. The market, in turn, embraced the International Monetary Fund (IMF) agreement with warmth. The deal unlocked the critically needed second $700 million tranche, bringing the total disbursement to $1.9 billion, within the $3bn bailout framework deemed essential for Pakistan's financial stability.

While the business community expressed qualified support, ordinary Pakistanis dread further hardships due to the inherent conditions of the package. The IMF obligates the government to implement stabilisation policies, leading to increased taxes, levies, elevated energy rates and reduced development spending.

To address the substantial budget deficit, the donor often recommends a halt on government recruitment and advocates leaner state-owned enterprises before a potential sale. Unfortunately, the resulting impact, including inflation, job losses and cuts to development spending, disproportionately hurt the working masses.

It's not surprising that people in Pakistan resent the IMF. The memory of all previous programmes is unpleasant, marked by the anticipation of gains that never materialised despite enduring the pain of stabilisation", observed an analyst.

While the feel-good sentiment is there in the economy, the IMF obligates the government to implement policies that lead to inflation and joblessness

Since July 2023, when the IMF approved a nine-month $3bn bailout package for Pakistan, fuel, electricity and gas prices have risen, contributing to crushingly high inflation and unemployment rates. Since the caretakers assumed power in August, petrol and diesel prices increased by Rs58.6 and Rs55.7 till the end of September.

Although revised down in October and November, the overall balance remains higher by Rs16.2 and Rs23.2 compared to mid-August prices. Both electricity and gas tariffs rose astronomically, impacting even the lifeline consumers of gas, who were charged Rs10 per month and will now pay a minimum of Rs500.

In response to inquiries about the growing economic discontent, Dr Shamshad Akhtar, Caretaker Finance Minister, conveyed over phone, stating, "Economic and price stability will pave the way for benefits for the poor."

Upon successfully engaging with the IMF team, she remarked, "There has been a broad recognition of the government's commitment to the IMF standby agreement and its strict adherence to stipulated quantitative and structural benchmarks.

“Following the standard operating procedure, the second tranche of $700 million will be released after approval of the IMF Management and Executive Boards.

“The staff-level agreement and its forward-looking directives will bolster macroeconomic stability, fostering growth and facilitating expansion in social safety nets for the vulnerable.”

After reviewing Pakistan’s situation, the IMF said, “A nascent recovery is underway, buoyed by international partners’ support and signs of improved confidence”. It anticipated a further decline in the inflation rate, which fell from 38 per cent in May to under 27pc in October, but cautioned about susceptibility to external risks, including intensification of geopolitical tensions, resurgent commodity prices, and further tightening in global financial conditions. It advised focusing on building resilience.

The capital and currency markets celebrated the IMF deal by propelling the Pakistan Stock Exchange’s benchmark index to over 57,000 mark, and the rupee showed resilience by gaining value against the dollar, albeit marginally.

Ehsan Malik, CEO, Pakistan Business Council, voiced the corporate sector’s apprehensions about the escalating cost of doing business. He responded to criticism of the Special Investment Facilitation Council (SIFC) and emphasised the inevitability of a 24th programme next year.

“In our discussions with the IMF, we have consistently championed the cause of equitable distribution of tax, be it in the realms of energy or other areas. We contend that the front-loaded targets merely address the symptoms and not the cause of Pakistan’s problems, which primarily stem from a lack of political will and the Federal Board of Revenue’s (FBR) capacity to expand the tax base while curbing theft, transmission and distribution inefficiencies in the energy sector.

“The IMF’s measures disproportionately burden the formal sector, fostering greater incentives for evasion by the informal sector. Likewise, an orthodox monetary policy, lacking fiscal expenditure controls, pursues inflation driven by cost-push, supply-side pressures and devaluation impacts. This results in a higher cost of funds for the formal sector, borrowing from banks, collectively hindering the formalisation agenda of the economy.

“This time, the IMF has been more receptive, focusing on taxing untaxed sectors for sustainable revenue. We wish a similar approach had been taken for energy tariffs.”

Defending the new body, he stated, “The SIFC is a pragmatic solution to government decision-making fragmentation and red tape. Both we and the IMF envision sustainable institutional strengthening, and we believe the SIFC could pave the way”.

“We remain concerned about the looming debt challenge as standby assistance and deposits from friendly nations offer temporary support, yet a near-term funding gap persists. Clarification is needed on the proposal regarding the debt reprofiling. While a challenge for an incoming government, the caretaker regime could seek advice from sovereign debt advisors, with potential private sector assistance to fill any gap in government resources.”

Former Federation of Pakistan Chamber of Commerce and Industry President Nasser Hayat Magoon cautioned, “Further power hikes may force closures of textile units as it will become impossible to compete with countries like China, India, Bangladesh, Vietnam and Indonesia in the global market. While welcoming fair taxation for retailers and realtors, the question remains whether FBR can effectively implement it.”

Karachi industrialist Majyd Aziz derided the convoluted language and numerical jargon in economic statements that elude common understanding. While criticising the recurrent increase in power rates, he offered support for the SIFC.

“The recent gas rate increase has severely impacted domestic and industrial consumers. The mention of the necessity of free and fair elections is a positive development, removing uncertainty. IMF’s scrutiny of SIFC is puzzling. The rationale of its establishment is to create a comfort zone for mega investors, recognised for sustainable guarantees and prioritising indigenous sectors like agriculture, mining, and information technology.”

DAWN

Will the Middle-East conflict impact Pakistan?

Afshan Subohi

October 23, 2023

The brazen disregard for civility and international law in the Middle East war zone has deeply saddened and incensed Pakistanis.

Beyond its social and political implications, the corporate sector was troubled by the government's lack of preparedness in dealing with the evolving situation to mitigate potential risks for the already fragile economy.

"The vivid images depicting death, destruction, displacement and suffering in the asymmetric conflicts in the Middle East and Ukraine have shattered the presumption that wars in this century would be waged and won in classrooms and boardrooms.

This has led to the realisation that access to information technology has not been sufficient to empower the public to hold leaders accountable and restrain them from engaging in perilous war games," lamented an economist turned peace activist.

Pakistani business circles are eagerly anticipating an early ceasefire, yet they cannot dismiss the prospects of hostilities spilling over to engulf the energy-producing region, a crucial shipping passageway and the primary source of Pakistan's remittances and economic support.

They, however, downplayed the potential consequences of growing anti-West sentiments in Pakistan on Euro-centric trade and the business of American and European giant companies across multiple sectors in the country.

Ehsan Malik, CEO, Pakistan Business Council (PBC), expressed concern about the already high cost of doing business potentially escalating further in the period ahead.

Unlike the Russia-Ukraine war that led to spiralling oil prices, the Israel-Palestine war may have a limited economic impact

"The main impact on a fuel import-reliant economy like Pakistan is increased cost, which, fortunately, has remained limited to around six per cent thus far. This is considerably lower than the Brent price that briefly surpassed $100 per barrel following the outset of the war in Ukraine. While the possibility of an escalation of the Middle East crisis cannot be ruled out, it appears that regional powers are taking their time to consider their next moves.

"The likelihood of an Arab oil embargo similar to that of 1973 is low. Egypt is unlikely to block traffic through the Suez Canal. Nevertheless, a country with a fragile economy should remain vigilant and formulate contingency plans for various possible scenarios."

Sources in Islamabad claimed that certain officials in the planning ministry and the State Bank are closely monitoring developments in the Middle East and formulating strategies under different scenarios to mitigate the potential adverse impacts on the country's economy.

When contacted for comments, Caretaker Finance Minister Dr Shamshad Akhtar did not respond till filing of the report and Caretaker Minister for Industry and Production, Gohar Eijaz, expressed his unavailability as he was attending the Belt and Road Initiative Summit in Beijing.

"Currently, we are monitoring price movement in the global markets and the potential for supply disruptions, which could impact economic activity, especially any slowdown in remittances," a senior officer said privately.

'The main impact on a fuel import-reliant economy like Pakistan is increased cost, which, fortunately, has remained limited to around 6pc thus far'

M Abdul Aleem, Secretary General, Overseas Chamber of Commerce and Industry, spoke against armed conflicts without taking a clear position on the bloody war in the Middle East. He was primarily worried about the impact on inflation and the flows of foreign direct investment (FDI) from the West in countries like Pakistan.

"Conflicts worldwide invariably result in disruptions. The impact of the Russia-Ukraine war, particularly on fuel and food prices, has been evident. The Middle East nations serve as global oil suppliers and play a significant role in supporting Pakistan's economy. However, Pakistan's economic stability relies heavily on the International Monetary Fund and World Bank, as well as China and some Middle Eastern countries.

Furthermore, Pakistan has historically received FDI from the West. Consequently, the intensifying Middle East conflict poses challenges for Pakistan. Coupled with the anticipated rise in oil prices and the currency's relative fragility, we may face additional cost escalations in goods and services. Given Pakistan's historical stance on the conflict, it is possible that certain Western brands could face the fallout of negative public sentiments. It is expected to be symbolic with minimal impact on the business," Mr Aleem noted.

Several business organisations, including the Federation of Pakistan Chamber of Commerce and Industry (FPCCI), appear to view the situation as still evolving and consider it premature to take a stance at this point, as they have not responded to queries on this matter.

Tariq Saud, former president of All Pakistan Textile Mills Association (APTMA), hammered the necessity for early elections and establishment of a stable elected government to effectively address challenges stemming from the conflict in a region with which Pakistan shares deep historical, religious, cultural, political and economic linkages.

Mariam Durrani, Director, Marketing, Pakistan Cables, does not foresee a major shift in consumer preferences in the local market, with regard to Western brands. She stated, "While there might be calls to boycott certain popular Western brands, it's unlikely that these calls will be consistently followed through."

Economist Ahmed Qadir highlighted that Pakistan's economy is highly susceptible to fluctuations in oil prices and that the Gulf crisis could potentially impact remittance inflow from the region.

DAWN

Corporate funding during elections

Afshan Subohi

October 2, 2023

Corporate entities in Pakistan and their associated bodies maintain a visible distance from the electoral process. Even after the government lifted the ban on their participation in providing financial support to political parties and candidates, their behaviour remained unaffected.

The business community, it seems, overlooked the legal shift regarding political donations by companies and trade bodies, as they typically abstain from direct involvement in Pakistan's electoral process. The leader of an elite business platform succinctly stated his stance and rationale.

Ehsan Malik, CEO, the Pakistan Business Council, responded to the query thus: "I am not aware of any listed company whose code of business principles allows donations to political parties and doubt if the modification in law would encourage them to consider a change. However, as there was and is no bar on private individuals making such donations, shareholders of such companies remain free to do so.

"Unlike the UK or the US, where there are significant differences between political parties on policies, businesses tend to support those that align with their agendas. There are no clear differences in the programmes of political parties in Pakistan.

'Vested interests always desire a friendly government, and they invest in every prospective government'

"If anything, there is a perverse consensus amongst parties to maintain the status quo on not broadening the tax base, continuing to burden businesses with high energy costs and allowing state-owned enterprises (SOEs) to bleed the fiscal account. So, not surprisingly, businesses are reluctant to take sides."

Earlier, Ahmed Bilal Mehboob, President of Pildat (Pakistan Institute of Legislative Development and Transparency), highlighted the government's changing stance on the legality of corporate funds entering political parties and election campaigns.

He informed: "corporate funding to political parties has been allowed through Section 204 (3) of Elections Act, 2017. It was earlier prohibited under Sec 6(3) of defunct Political Parties Order, 2002."

A close examination of the pertinent clauses revealed that, previously, all private business entities, both domestic and foreign, were legally barred from influencing elections with their financial resources. However, the current law has omitted any reference to locally incorporated businesses when addressing political contributions, whether cash or in kind.

For clarity, the relevant sections of the old and new law are reproduced below: "Political Parties Order 2002, Section 6, Membership fee and contributions, Sub-section (3): Any contribution made, directly or indirectly, by any foreign government, multi-national or domestically incorporated public or private company, firm, trade or professional association shall be prohibited and the parties may accept contributions and donations only from individuals."

Whereas the current law reads, "Election Act 2017, Membership fee, contributions and donations, Section 204, Subsection (3): Any contribution or donation made, directly or indirectly, by any foreign source including any foreign government, multi-national or public or private company, firm, trade or professional association or individual shall be prohibited."

Commenting on the private sector behaviour, Mr Mehboob, who has keenly been observing the democratic process in Pakistan for over two decades, said, "prohibiting campaign financing by the corporate sector (not prohibited in Pakistan currently under Elections Act, 2017) of candidates and parties is meant to achieve two goals: one, exclude big money from campaign financing and two, to stop politicians from paying back to donor corporations through favours after coming to power by policy shifts etc."

The Election Commission of Pakistan and the Chief Election Commissioner were reached for comments, but their response did not arrive till the filing of the report.

Mansoor Ali Khan, an eminent corporate lawyer, believes that the big business in Pakistan may not actually be as aloof from the electoral process as projected.

"There is absolutely no doubt in my mind that all big businessmen in Pakistan are close to politicians and support them financially. For obvious reasons, such 'payments' are not made through their "company accounts. When one wishes to 'corporatise' this bribe, it is termed as a 'campaign contribution', but in the end, it will remain what it is: a bribe — financial gratification in return for some favour that would be called when required.

"Perhaps the only difference is that this is an ongoing relationship. It is not per transaction. Politicians and political parties receive regular donations from big businessmen regardless of their status (in or out of power) and serve their patrons' business interests in assemblies".

Musadaq Zulqarnain, Chairman Interloop Ltd who sits on several boards, strongly disapproved of the powerful elite's influence on Pakistan's democratic process, which often thrives on the shadow economy.

"Financial transparency is the basic requirement for anything to be fair, including elections. In Pakistan, with a huge undocumented economy, the dream of financial transparency during the election campaign will remain a dream. The ruling elite has been in the grip of vested interests, a dominance that has steadily intensified as their financial might has continued to expand over time.

"I won't name names, but yes, vested interests always desire a friendly government. They invest in every prospective government."

Asad Ali Shah, an auditor by qualification and management consultant by profession, said, "there is no financial transparency in elections in Pakistan and enforcing any discipline in this regard is next to impossible in the current environment. The donations clause in the relevant Act was probably a copy-paste job and is not expected to create transparency. Donations and election spending are largely sourced from the black economy".

He thought that the business elite are too well entrenched in the country's power structure to care to cultivate relationships with any set of politicians.

Commenting on funding election campaigns, Mr Mehboob said, "In normal democracies, political parties and candidates go for crowdfunding. Rich individuals make large donations, but the funding base has to be broad. Corporate funding leads to extra complications as it will be difficult to monitor the relation between funding and policy favours. In addition, a ruling party enjoys a huge advantage over others in attracting corporate funding."

Saleem Mandviwala, a businessman turned politician, was not sure if companies fund politics. "If companies provide financial support to parties or candidates, they tend to do so discreetly, without public disclosure."

Several business leaders representing sectors including textiles, cement, auto, pharma, fertiliser, and sugar mentioned that businessmen, much like other segments of society, hold political views but prefer to avoid direct engagement.

They cited their preoccupation with industry-related challenges during association meetings. "While there were discussions about collective donations for causes during natural disasters like earthquakes, floods or the pandemic, political contributions were rarely, if ever, discussed in these forums," a cement tycoon said privately.

There is rising global concern regarding the substantial inflow of private funds into electoral cycles, which is thought to compromise the integrity of elections. An expert remarked, "Those who contribute significant sums also tend to exert control over politicians, making them more accountable to sponsors than their constituents."

THE EXPRESS TRIBUNE

$8b discrepancy unearthed in exports, imports

It causes revenue loss, promotes financial transactions via illegal network

Salman Siddiqui

October 15, 2023

KARACHI: Pakistani traders have allegedly been found involved in discrepancies of over $8 billion through under-invoicing of imports and exports of goods to four major trading partners, causing significant foreign exchange losses, tax revenue losses and supporting financial transactions via the illegal Hawala-Hundi network.

In letters to Finance Minister Shamshad Akhtar, the Pakistan Business Council (PBC) – a business advocacy platform having big foreign and local business groups as members – revealed that Pakistani traders reported imports from China, Singapore, Germany and the United Kingdom at $18.88 billion in calendar year 2022.

However, it said, the four trading partners reported exports of $26.30 billion to Pakistan in the same year, showing a disparity of $7.51 billion.

Similarly, the business advocacy platform found traders involved in under-invoicing of $594 million in exports to China in 2022, which constituted around 21% of the total exports made to the neighbouring and world's second-largest economy.

Talking to The Express Tribune, PBC CEO Ehsan Malik said the disparity of $594 million in exports to China simply meant that Pakistan did not receive the due amount of foreign exchange.

It came at a time when the country's foreign exchange reserves were under pressure due to high demand for imports and foreign debt repayment.

PBC said on X, formerly Twitter, that export values exceeded import values by $7.50 billion.

"At duty rates from 10% to 30%, and together with GST (general sales tax) at the rate of 18% and withholding tax of 6%, we estimate a revenue loss of between Rs579 billion and Rs964 billion at the average exchange rate for 2022," PBC said.

"It is time for the government to explore how to avoid revenue loss through transparency."

One way is to secure the exchange of trade information, ideally in real time, through electronic data interchange (EDI) with major trading partners. Then levy duties on the export values received from exporting countries.

The Gulf Cooperation Council (GCC), with which Pakistan has just signed a trade agreement, does not report trade data to the International Trade Centre. Therefore, it is necessary that Islamabad secure export data through EDI. Malik said Pakistan had tried time and again to strike an EDI agreement with China, but Beijing said it could provide trade data of only those goods that featured in the free trade agreement.

He urged Pakistan to sign an EDI agreement with GCC countries, mainly the UAE that did not report trade data, as its seaport was a major source of import and export by Pakistan.

Expressing surprise over under-invoicing exports to China, he believed that the Chinese individual trade partners were keeping the excess amount for use in under-invoicing exports to Pakistan. He also believed that traders used the Hawala-Hundi system to settle actual payments.

PBC said it had repeatedly shared with the Federal Board of Revenue the significant disparity in the export values reported by China, Singapore, Germany and the UK and the import values reported by Pakistan Customs to the International Trade Centre (ITC), a multilateral agency which has a joint mandate with the World Trade Organisation (WTO) and the United Nations through the United Nations Conference on Trade and Development (Unctad).

The ITC trade data does not always match, especially with transshipment countries like Singapore, the UAE and the Netherlands. The mismatch cannot entirely be ascribed to under or over-invoicing.

However, unlike many other countries, due to high import tariffs in Pakistan, the incentive to evade duties and taxes is attractive and there is strong anecdotal evidence of under-invoicing. Hence, the larger discrepancies, such as with China, need to be investigated.

DAWN

Committee to address shareholders' concerns

November 03, 2023

ISLAMABAD: The Securities and Exchange Commission of Pakistan (SECP) has constituted a committee to review the conduct of listed companies for holding shareholding meetings.

The committee comprises representatives from the Pakistan Stock Exchange (PSX), Central Depository Company (CDC), Mutual Funds Association of Pakistan (MUFAP), Pakistan Bus¬iness Council (PBC), Insti-tute of Chartered Accou¬ntants of Pakistan (ICAP), Pakistan Institute of Corp¬orate Governance (PICG) and the CFA Society.

The formulation of the committee is aimed at identifying reforms which can increase transparency in the manner of conducting the shareholder meetings and ensuring adequate redressal of concerns, particularly from minority shareholders.

The committee will be responsible for reviewing the regulatory requirements relating to the conduct of meetings of shareholders, including the manner of election of directors and the use of proxies, ide¬n¬tifying areas of concern, and suggesting reforms.

INTERNATIONAL THE NEWS

Illicit trade eats up 20 percent of Pakistan's formal economy, says PBC

November 07, 2023

The Pakistan Business Council
FOSTERING ECONOMIC GROWTH
www.pbc.org.pk

KARACHI: Pakistan suffers from one of the highest levels of illicit trade in Asia, costing the country billions of dollars in lost tax revenue and undermining its formal sector, a business group said on Monday.

The Pakistan Business Council (PBC), a policy advocacy group representing the country's largest businesses, said the combined value of smuggling, under-invoicing, mis-declaration of imports, counterfeiting and adulteration was estimated at $68 billion or 20 percent of the formal economy.

The informal economy, which operates outside the tax net and regulatory oversight, was estimated at about the same size as the formal economy, therefore illicit trade represented 10 percent of the total economy, the PBC said in a report.

The council said the estimated annual tax loss from illicit trade is Rs8 trillion, amounting to 85 percent of the tax revenue target for the fiscal year 2023-24. "Besides loss of tax revenue, illicit trade undermines the formal sector's growth, exploits labour, operates in environmentally detrimental ways, produces and sells substandard, unsafe and sometimes life-threatening products," it added.

"Smuggling and under-invoicing also feeds off Hawala, affecting the country's official remittances and reserves, as well as the value of the rupee." Hawala is an informal system of money transfer that operates outside the banking channels and is often used to evade taxes and exchange controls.

The PBC said the main reasons for illicit trade were high taxes and ineffective enforcement, coupled with poor political will and vested interests. "The combination of high taxes and ineffective enforcement are primary reasons for illicit trade. Poor political will and vested interests' thwart efforts to stem it. A poorly documented, cash-based economy sustains it."

It said Pakistan's recurring economic crises and International Monetary Fund (IMF) imposed short-term tax targets had not allowed time for fundamental and holistic changes in talent, technology or structures, nor addressed the fragmentation in jurisdictions that could deliver concrete results.

"Instead, knee-jerk, revenue-seeking measures to meet high and increasing government expenditure, losses of state-owned enterprises, growing energy circular debt and the cost of servicing government debt have resulted in higher taxes, which in turn grow the incentive to evade."

It also listed some key measures to thwart illicit trade, such as developing a strong political consensus to fight informality in the economy, starving the flow of foreign currency that funds smuggling and under-invoicing, creating transparency of transactions by limiting the use of cash, broadening the tax base to include all points of sale through which illicit goods are sold, reducing incentives to evade through lower taxes and levies, raising the cost of evasion through tighter enforcement, provincial government co-operation to prevent sale of illicit items in their jurisdictions, using technology and labelling measures to make it difficult to evade, minimising misuse of Afghan transit trade, refocusing provincial Food Authorities on items that are more vulnerable to adulteration, enabling effective prosecution and penalizing the guilty in the extended chain of evasion.

The PBC called for a system-wide change that would require strong political will and a 'whole-of-government' approach to tackle illicit trade. "This will take time, patience and determined implementation to yield results. Piecemeal changes can only bring temporary relief."

INTERNATIONAL THE NEWS

Action hailed against misuse of Afghan transit trade

October 5, 2023

KARACHI: Business groups, including the Pakistan Business Council (PBC) and the All Pakistan Textile Mills Limited (APTMA), praised the interim government for taking steps to curb the smuggling of goods from Afghanistan under the guise of transit trade.

The PBC, the country's largest corporate sector advocacy platform, said on the social media platform X, that it welcomed the "concrete measures" taken by the caretaker government to stop the import of items such as fabrics, cosmetics, tires, black tea, nuts, flasks and home appliances from Afghanistan that were hurting the domestic industry and depriving the state of much-needed revenue.

The council said it had long advocated for qualitative controls on sensitive items and limits based on proven demand in Afghanistan. "If they don't drink black tea, why allow that to be imported? Good, now it can't. And, if they drink green tea, allow only enough for the size of its population."

The APTMA also expressed its support for the government's actions, saying that they would help save precious foreign exchange reserves and boost the domestic industry. "Measures taken to control the misuse of the Afghan Transit Trade will yield lasting benefits; save foreign exchange and boost the domestic industry whose potential has been shrunk in the past due to smuggling and misuse of the ATT," it said.

The Federal Board of Revenue on Tuesday imposed a 10 percent processing fee on five major categories of Afghan transit commercial goods imported into Afghanistan via Pakistan. It also directed customs agents and transport operators in Pakistan to submit financial security in the form of bank guarantees for Afghan transit goods. The caretaker government has ramped up its efforts to curb smuggling in recent weeks amid rising tensions with Afghanistan over border security and trade issues.

Devdiscourse
Discourse on Development

Illicit trade continues to plague Pakistan, putting economic recovery in doubt

Megan Anderson

November 28, 2023

The Pakistan Business Council (PBC) recently raised red flags over the country's ongoing problems with illicit trade, noting that the country has one of the highest rates of illegal trade in Asia, amounting to a whopping Rs 8 trillion–some 20% of the formal economy. The ongoing problem is worsening Pakistan's already-dire economic circumstances, and hitting certain sectors particularly hard. The tobacco industry, unsurprisingly is one of them–tobacco giant Philip Morris's Pakistan division, for example, posted truly dismal profit figures in late October, noting a remarkable drop in net income from Rs 2.15 billion rupees at this time last year to Rs659 million this year.

The tobacco titan blamed their sharp drop in profit on a steep decline in legal cigarette sales and what they identified as an apparently significant increase in the consumption of illicit smokes, and called for the full implementation and monitoring of the track and trace system which went into effect in July 2022 for Pakistan's tobacco industry. While Philip Morris's claims should be taken with a grain of salt— tobacco industry figures about illicit trade are frequently unreliable, and investigations have demonstrated that the tobacco major has itself been complicit in the underground trade of its products, including in Pakistan, where it apparently used an undeclared warehouse to produce black-market smokes— the introduction of a comprehensive and effective track and trace system is widely seen by independent experts as a key tool to tackle the shadow economy, in the tobacco sector and beyond. In Pakistan, however, the rollout of a track and trace system has been anything but smooth, stymying the country's efforts to curb the illicit trade wiping out billions of rupees in profits for companies–and billions more in tax revenue.

Pakistan's track and trace system was designed to specifically target a number of sectors–including tobacco, cement, sugar, and fertilizer–which are both major players in the Pakistani economy as well as plagued by significant illicit trade. Despite expenditure of millions of rupees, however, the chosen system has by all accounts been a colossal failure.

Even before the system was rolled out, the tender for its implementation–eventually awarded to AJCL—a consortium led by Authentix Inc. USA and Mitas Corporation of South Africa–was roiled by controversy, with allegations over alleged favoritism in the tender process. The implementation itself has been no less rocky: an inquiry committee set up by the Pakistani Prime Minister found in September that the system has failed to yield the desired results for all the four major sectors targeted.

From the start, the system was marred by the use of outdated technology and manual processes that were easily exploited by tax evaders. For instance, the sugar sector faced compatibility issues with the system due to factors like tax stamps not adhering properly to sacks–remarkably, the prime minister's inquiry committee found that all 71 sugar mills were not compliant with the track and trace system, and that the machinery installed in these mills requires extensive and costly modifications to make the system work properly. Similarly, the cement sector was declared non-compliant due to the dusty factory environment, which affected the functionality of the track and trace system. The tobacco industry also fell short, with old machines (some dating back as early as 1960) unable to sustain the technology required; what's more, the vast majority of Pakistani tobacco manufacturers are non-compliant with the system. More than 50 companies are registered with the Pakistan Tobacco Board—yet only a few have implemented the track and trace system, while a number of cigarette manufacturers continue to contribute themselves to the country's illicit trade problem.

The track and trace system operated by Authentix appears to have been fatally flawed from the beginning–notably, the contractual framework which won the tender tried to follow a "one solution fits all sectors" approach, when in fact, the four sectors targeted have significantly different factory installations, different mechanisms, and different processes–and would have benefited far more from customized solutions for each sector.

The consequences of the botched implementation are clear to see: its inherent flaws mean that the long-awaited track and trace system is doing almost nothing to curb Pakistan's ever-worsening illicit trade problem. As the Pakistan Business Council recently underscored, this failure to address the shadow trade is an enormous drag on the country's already unstable economy.

As Pakistan awaits a fresh tranche of IMF funding to avoid a looming default, the failure of its track and trace system to effectively combat illicit trade represents a substantial threat to its economic recovery. The IMF, with its strict fiscal discipline, is likely to view the ineffective handling of such a significant portion of the economy as a highly concerning issue. The inability to curb illicit trade not only leads to a loss of revenue and hinders the development of legitimate businesses, but also undermines investor confidence, a key prerequisite for Pakistan's hopes of economic stabilization and growth.

Moreover, the rampant illicit trade exacerbates the country's already significant fiscal deficit. With the informal sector evading taxes, the government's ability to generate revenue is severely hampered. This shortfall in revenue collection directly impacts Pakistan's ability to meet the stringent fiscal targets set by international financial institutions, including the IMF. The resultant fiscal imbalance could lead to further austerity measures, adversely affecting public spending on essential services like healthcare and education, crucial for the country's long-term development.

In this context, the effective implementation of a more functional and robust track and trace system is even more critical. Addressing the country's rampant illicit trade problem is not just a matter of improving tax revenues; it's about restoring faith in Pakistan's economic governance, attracting investment, and ensuring a fair playing field for all businesses. The government must address the various issues plaguing the current system and consider sector-specific modifications to make the system more effective. Failure to do so could have long-lasting implications, potentially derailing Pakistan's economic recovery and its ability to meet the conditions imposed by key international partners like the IMF.

DAWN

Potential and perils of SIFC

Nasir Jamal

November 13, 2023

Caretaker Prime Minister Anwaarul Haq Kakar claimed last week that the recently created civil-military forum, Special Investment Facilitation Council (SIFC), would help bring over $60 billion in investment to Pakistan in the next five years.

This translates into average annual investment flows of $12bn. The maximum foreign direct investment (FDI) Pakistan received in any given year peaked at $5.41bn back in 2008. Last year, FDI stood at less than $1.5bn.

"It is indeed. It could probably be more than that," Prime Minister Kakar said in an interview with Arab News when asked if reports that SIFC would bring in up to $60bn in investments in Pakistan in the next five years were realistic. What's changed after the formation of SIFC, which would attract such huge investments? The premier said SIFC would serve as a "one window operation" to address any concerns of foreign investors.

"Two or three areas have already been addressed, like repatriation of dollars, which is the demand of any FDI entity, [that] it's insured, it's legally protected," he said.

We cannot move forward from where we stand today without first tackling our longstanding structural issues

"Secondly, the bureaucratic red-tapism has also been addressed. The one-window opportunity on the platform of SIFC is primarily being designed for this purpose, that we need to cut off all these bureaucratic hurdles and rationalise the entire process of allowing and giving permission to any investment from outside within 15 days."

Moreover, he said, a dispute resolution mechanism had been agreed under the SIFC platform. "It's quite encouraging and favourable, which is acceptable to all the outside parties ... The dispute resolution mechanism has been addressed."

The optimistic estimates of huge foreign investment flowing into Pakistan are primarily based on hopes of materialising the promised Saudi and Emirati investment commitments of $25bn each in greenfield and brownfield projects. The government has already set up a wealth fund and transferred state-owned assets worth $6.1bn for sale to the Gulf investors. But not much progress has been made so far.

At the time of its constitution in July, the then Prime Minister Shehbaz Sharif had stated that the key goal of SIFC was to attract investment from "friendly" countries". "The immediate task is to increase FDI to $5bn," Mr Sharif said. He added that "collective wisdom" was needed to tackle economic challenges as he implicitly defended his decision to formally give the army a seat on the economic decision-making table.

Mr Kakar's claims coincided with a Pakistan Investment Roadshow organised by SIFC in Dubai to attract foreign investments under G2G (government-to-government) and G2B (government-to-business) frameworks. "The event brought together a large number of global businessmen and investors representing diverse sectors," a press release said.

"SIFC welcomed the investments from public and private sectors and assured an all-out support to realise such ventures through a collaborative 'Whole of the Government Approach'," the release added without disclosing the identity of the prospective investors.

Indeed, the constitution of SIFC has been received well by foreign investors and diplomats, as well as Pakistan's business community. For example, Pakistan Business Council chief executive Ehsan Malik wrote a couple of months back that SIFC is a civil-military initiative to cut red tape and create an investment climate conducive to new investment.

"For long, the silo-working of ministries, fragmentation between the federation and provinces and U-turns in policies have combined to hurt business. So has the weak political will to take courageous actions to level the playing field with the informal sector.

"Indeed, there is a perverse consensus among political parties to retain the status quo on a narrow tax base, loss-making SOEs, circular debt and high government expenditure. IMF programmes have also been short-sighted in setting front-loaded targets that address the symptoms instead of the root causes."

Since then, SIFC has expanded its mandate from the task of attracting foreign investment from the friendly countries initially assigned to it. One of the country's most enterprising economy reporters, Shahbaz Rana, had reported in early October that the (caretaker) government had expanded the scope of SIFC to the "domestic economic agenda aimed at addressing the problems faced by local investors and fixing the ills of the economy".

"The elaborate agenda of the fifth meeting of the Executive Committee of SIFC shows that its mandate is no longer restricted to the facilitation of foreign investment through swift decision-making," he had reported for The Express Tribune.

The decision to expand the SIFC mandate was taken after the army chief's interaction with the businesspersons in Lahore and Karachi. The report quoted an anonymous official saying that the executive committee of "SIFC has become a kind of national policies and operational issues clearinghouse where all sorts of economic and business issues are being discussed and their solutions are agreed upon."

However, many, like renowned economist Atif Mian, believe that initiatives like SIFC are not sustainable, and it too is doomed to fail just as previous similar projects have always failed.

Likewise, a recent report by the Policy Research Institute of Market Economy (PRME) says SIFC "may fall short of its mission to attract significant foreign investment due to a lack of focus on structural issues." Besides, it cautions, "the inclusion of the military in economic decision-making without the requisite expertise could not only destabilise the country but also lead to the failure of key initiatives."

It rightly highlights a critical concern that the government has largely neglected vital institutional reforms and regulatory issues in its quest to attract foreign investment and address the balance of payment crisis.

"The establishment of SIFC, with its exclusive focus on attracting foreign investment, while disregarding institutional and regulatory concerns and excluding the local business community, fails to restore trust in the political government," the report emphasises.

Additionally, the report contends that the “mandate of SIFC and its objectives are not aligned with the country’s needs” and suggests that SIFC essentially mirrors the Board of Investment (BOI).

The report raises the most pertinent question: can our reliance solely on foreign investment alleviate Pakistan’s economic challenges as the policy environment remains unfavourable? In other words, can we move forward from where we stand today without first tackling our longstanding structural issues?

Even more important is the concern regarding the shrinking space for civilians in economic policymaking as the country’s most powerful institution, represented by its chief on the SIFC apex committee, keeps expanding its role and arrogating powers in areas where it has no expertise. How will the next government deal with this anomaly? That remains to be seen.

Publications During the Quarter

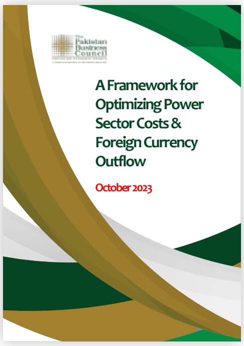
During the Quarter Five (5) publications was released by the PBC. This brings the total number of publications in the current year to Eight (8)

Agenda for the Incoming Government

https://www.pbc.org.pk/wp-content/uploads/Agenda-for-the-Incoming-Government.pdf

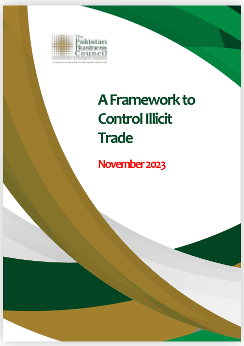
PBC's Checklist for Industrialization

https://www.pbc.org.pk/wp-content/uploads/Checklist-for-Industrialization-1.pdf



A Framework for Optimizing Power Sector Costs & Foreign Currency Outflows

https://www.pbc.org.pk/wp-content/uploads/A-Framework-to-Optimize-Power-Sector-Costs-and-Foreign-Exchange-Outflows.pdf



A Framework to Control Illicit Trade

https://www.pbc.org.pk/wp-content/uploads/Framework-to-Control-Illicit-Trade.pdf

Pakistan's Trade with EU & its Member States

https://www.pbc.org.pk/wp-content/uploads/Pakistans-Trade-with-the-EU-its-Member-States-1.pdf

New PBC Members During the Quarter

One new member joined in the Quarter. The new member who joined was:

- Chubb Insurance Pakistan Limited CHUBB®

The total strength of the PBC currently stands at 102 including 6 affiliate members

X-Post (Formerly Twitter)

22
X-Posts

164,600
Impressions

770
New Followers

13,769
Total Followers

Centre of Excellence in Responsible Business

Key Activities October to December 2024

Vision

CERB is a multi-sector business coalition, assisting Pakistani enterprises to pursue economic, social and environmental value creation in the short, medium and long term.

Functions

CERB leverages best practices of global businesses, PBC Members and others in Pakistan to inculcate a change in mind-set among businesses including small and medium-sized enterprises. This will be supported through alliances with knowledge partners who have researched resources to contribute to its mission.

Awareness

The first outreach initiative of The Pakistan Business Council (PBC) to build capacity and capability of businesses in Pakistan.

Introduction

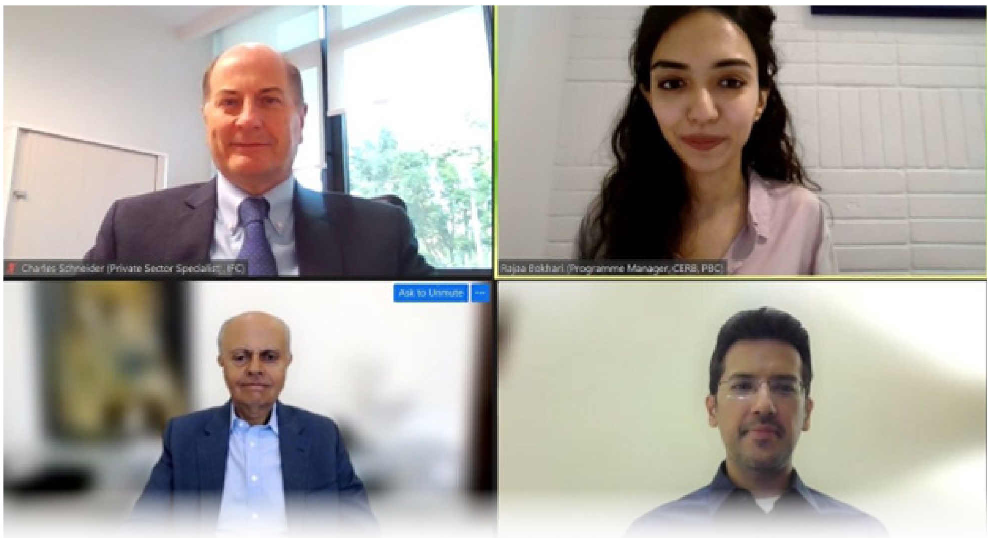
CERB is a multi-sector business coalition assisting Pakistani enterprises in pursuing sustainable value creation in the short and long term.

As Pakistan's premier business body composed of the largest and most successful businesses in the country, the PBC recognized the need to share and spread the best practices on responsible business conduct. As an outreach initiative to grow the formal sector, the PBC established in 2016 a Center of Excellence in Responsible Business (CERB).

By focusing our research on the good practices of businesses in Pakistan, we highlight how practitioner companies can enable conditions which stimulate the economy while providing livelihood opportunities in a manner which is inclusive and uses resources sustainably. CERB's provides insight and advisory on key elements of responsible business, and provides a platform for companies to network, build capacity and collaborate with peer companies.

CERB's Key Activities October to December 2023

CERB hosts webinar with Engro Fertilizers, runner-up at the "Employer of Choice" Gender Diversity Awards



To showcase best practices of the "Employer of Choice" Gender Diversity Awards winners, CERB held a discussion on Engro Fertilizer's successful gender strategy, presented by Mr. Muhammad Saad Khan, Vice President of People and Facilities. Additionally, the session featured insights from Charles Schneider (IFC) and Ehsan Malik, CEO, The Pakistan Business Council. The webinar can be accessed **here**.

Imparting Best Practices

Workshops and Webinars: On good practices among PBC member and other companies, benchmarking them against global practices.

Evidence Based Research: Landscape Analysis and Case Studies which guide policy and sustainable value creation

IFC-PBC Climate2Equal Project Progress: CERB holds workshop with companies on using comms for gender X climate pledges

The third workshop in the Climate2Equal project conducted in collaboration with the IFC on using communications to raise awareness on climate and gender was held on Oct 12, 2023. Representatives from ten companies including Packages Group, National Foods Limited, The Coca-Cola Company, TPL Corp Ltd., The Dawood Foundation, Naveena Group, Gul Ahmed Textile Mills Limited, Artistic Garment Industries (AGI Denim), DoctHERs and Artistic Milliners attended this workshop.

CERB hosts Creating Livelihoods: A Way Forward with Inclusion, Upskilling and Sustainable Supply Chains, a two-day summit on 14th and 15th November

With over 100 participants, six SDG leaders and two days of fostering private sector peer-to-peer learning, the Creating Livelihoods summit by CERB featured sessions that encourage conversation on fair wages, gender-inclusive workplaces and disability access. CERB launched a report titled "Landscape Analysis of Disability Inclusion in Corporate Pakistan," with knowledge partner, ConnectHear. The report serves as a comprehensive guide that highlights the efforts of the corporate sector in fostering the inclusion of Persons with Disabilities. The summit was supported by SDG Leaders EBM (SDG 3), Unilever Pakistan (SDG 10), Engro Corp (SDG 4), HBL (SDG 10), Dalda Foods Limited (SDG 3) and Indus Motor Company (SDG 8).

ESG Accelerate with Friesland Campina

The Centre of Excellence in Responsible Business held an ESG primer for Friesland Campina. The full day workshop consisted of activities, case studies and a guest session on governance. It was attended by teams across Friesland Campina, from finance, sales, accounting, marketing and supply chain..

Identifying Good Practices

Focus Group Discussions on Climate Resilience with the Private Sector

CERB and Zero-Point Partners with support by GIZ - , hosted four sector-specific roundtables to assess the needs of the private sector and their initiatives towards climate risk awareness. Artistic Milliners, Chottani Industries, Soorty Enterprises Pvt. Ltd., K-Electric, Al Baraka Bank Pakistan Ltd. HBL, FIM Partners, Dalda Foods Limited and National Foods Limited were the companies in attendance.

External Outreach

Roundtable to Address the Gender Gaps in the ICT Skills Market with UN Women

CERB, in collaboration with UN Women Pakistan held an informative session on the gaps that corporations and the development sector can fill regarding training of women in information technology. Pakistan Cables Limited, Schneider Electric, Mondelēz International, Artistic Milliners, K-Electric, STEAM Pakistan, L'Oréal, 10Pearls University, Soorty Enterprises Pvt. Ltd., 1LINK (Pvt) Limited, Siemens and Engro Foundation were in attendance.

CERB hosted UNIDO for awareness on PAIDAR grants

CERB hosted the UNIDO Pakistan team for an information session on PAIDAR - Poverty Alleviation and Inclusive Development Across Rural Sindh programme. This is a five-year programme funded by the European Union and implemented by UNIDO to support the Government of Sindh in the implementation of its Poverty Reduction Strategy (PRS). The companies in attendance were K-Electric, Artistic Garment Industries (AGI Denim) and Power Cement Limited.

CERB at TDF Magnifiscience Launch of New Exhibits

CERB was invited to the launch of the new exhibits at the TDF Magnifiscience Center. Aligning with SDG 4 Quality Education, the new exhibits are an effective way of educating and creating awareness in a young generation about Pakistan and the World. Local experts were consulted as knowledge partners for the exhibits and each one had a fact about Pakistan incorporating knowledge about its geography and the environment.

CERB at Decade of Action: Inspiring Action Towards Sustainable Development Goals

CERB was invited to present about its activities in "Decade of Action: Inspiring Action Toward Sustainable Development Goals" organized by the UNDP SDGs Support Unit, Sindh and UNDP Pakistan.

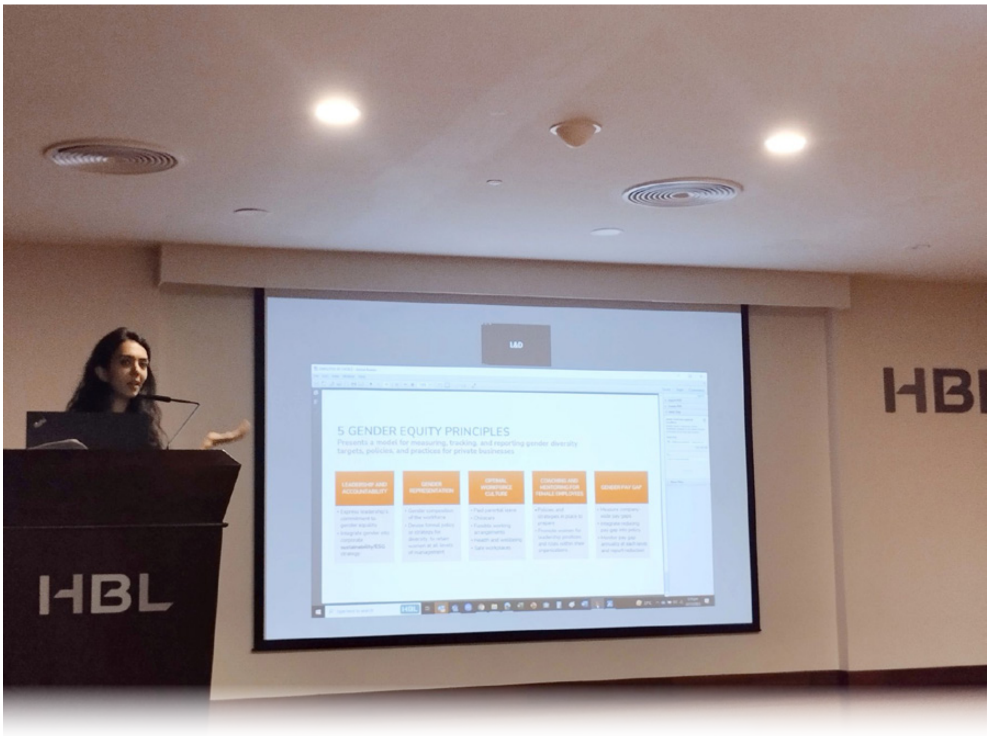
CERB at the 26th Sustainability Development Conference by Sustainable Development Policy Institute

CERB was on a panel titled “Harnessing Private Sector Action in Climate Resilient Development” at the 1st Sustainability Investment Expo and 26th Sustainability Development Conference organized by Sustainable Development Policy Institute (SDPI). Packages Group won an award in the Climate Resilience category for their progress in the Climate2Equal project, an initiative being led by CERB and the IFC.

CERB at the 6th International Water Conference organized by Hisaar Foundation

CERB led the session "SDGs Matter: National Stocktaking." Representatives from Soorty, Engro Corporation, Radiant Chemicals and Packages Ltd shared their initiatives in environment and water stewardship at the 6th International Water Conference.

CERB at HBL's National Working Women's Day celebration



On the occasion of National Day for Working Women held on Dec 22, CERB was a part of HBL's Power Hour where they shared insights and learnings regarding the status of working women and the progress made in Pakistan's corporate workplace culture from the data analysis of the Gender Diversity Scorecard.

Philippines

CERB was at the Women Empowerment Principles Forum held in Manila on 7th and 8th November. In a virtual session, they shared the importance of business associations and alliances in advancing gender equality in the private sector.

Paris

Sustainability Research Manager, Dure Sameen Akhund from CERB was invited to present on developing country perspective on a panel at the International Bar Association's Annual Conference held in Paris from Oct 29- Nov 3.

The panel was titled "Forced to be reckoned with: new legal, political and financial levers making forced labour a key risk across industries and regions" and it addressed key issues being faced regarding labor rights and laws around the world. CERB presented Pakistan's position and showcased their work on supply-side due diligence, highlighting the gaps along the supply chain and how institutions can work together to

Dubai

CERB attended COP 28 in the first week of December. What set COP28 apart was the newfound emphasis on public-private partnerships for impactful clean energy projects, diverging from the past state-centric focus of COP conferences.

Media Outreach

BUSINESS RECORDER
Founded by M.A. Zuberi

Reflecting on COP28 in Dubai

Reflecting on of COP28 in Dubai 2023, there's a sense of disappointment, particularly concerning the loss and damage fund.

The pledged amounts, just over $700 million – equivalent to less than 0.2% of the irreversible economic and non-economic losses developing countries face from climate change every year – fall significantly short of what's needed for effective mitigation and adaptation.

More importantly, the lack of clear guidelines for fund utilisation remains an ongoing issue. While the developed world's lack of enthusiasm is expected, there's always a hopeful anticipation for change each year's COP.

COP-28 and Pakistan: pledges galore, but any action?
Despite the evident signs of climate change and the urgency in proposed actions, the ongoing debate on whether to "phase out" fossil fuels or opt for the milder "phasing down" clearly showcases the reluctance to commit to changing ways.

World carbon emissions were expected to peak by now, heading towards a decline for net zero by 2050.

However, numerous countries still heavily invest in non-renewable energy sources. The COP28 president's dismissal of the science behind fossil fuel phase-out calls, coupled with the event being hosted by a major oil-producing country, highlights the complexities in redirecting global efforts.

Nations strike deal at COP28 to transition away from fossil fuels
Given the slow progress in reducing carbon emissions, attention has shifted to carbon capture as a potential solution.

Technologies like CCS and DAC aim to capture and store carbon dioxide emissions either directly from the air or industrial sources. While promising, these processes lack sufficient historical data to establish their long-term effectiveness and potential adverse impacts, not to mention the extremely high costs involved.

COP28 in Dubai: 5 key takeaways for Pakistan
Within these discussions, COP28 rightly emphasised two critical aspects – the notable lack of women representation at the climate discourse and the concept of a "Just Transition," which was reintroduced in COP 27, to leave no one behind.

Recognising that people, especially those who are most vulnerable, need to be put at the heart of all climate conversations, which includes women, who are disproportionately affected by climate change, there's a push to involve them more meaningfully in advocacy and decision-making roles.

The absence of women in the climate discourse is a significant issue rooted in historical underrepresentation and systemic barriers. "We cannot solve the biggest existential crisis facing humanity without the full inclusion and the full financing of women," says Zainab Salbi, Co-Founder, Daughters for Earth.

Women, particularly in developing countries, bear disproportionate impacts of climate change, yet their voices are often marginalized in decision-making processes.

This lack of representation hinders the development of comprehensive and effective climate strategies. Additionally, there's a significant financial gap, with less than 2% of venture capital directed towards women-led climate initiatives.

Addressing this issue requires creating inclusive spaces, breaking down systemic barriers, and actively involving women in shaping and implementing climate policies. Closing the gender gap in climate discussions is essential for fostering diverse perspectives and developing more resilient and equitable solutions.

Moreover, the emphasis on a just transition underscores the responsibility of developed nations to support developing countries in their renewable energy transformation and climate change adaptation efforts.

Hina Rabbani, the former foreign minister, mentioned in a panel discussion that the distribution of funds, particularly in the loss and damage fund, contributes to the lack of trust. The issue of trust between the Global South (developing countries) and the developed nations is a significant hurdle in addressing climate challenges. Distrust stems from various factors, making collaboration and effective action more difficult.

One key factor is the historical context of international relations, where developed nations, often responsible for higher carbon emissions in the past, now urge developing countries to adopt greener practices. This dynamic raises questions about fairness and equity in shouldering the burden of climate action. The distribution of funds, especially in the loss and damage fund, adds to the mistrust, as developing nations feel promised financial support falls short, hindering their ability to adapt to the impacts of climate change and transition to renewable energy.

COP28 and the need for climate action for Pakistan

To build trust, transparency and accountability are crucial from both sides. Developed nations must genuinely commit to supporting developing countries in adapting to climate change and transitioning to renewable energy.

Simultaneously, developing countries need to ensure transparency in fund utilization, demonstrating measurable progress toward sustainable practices. Bridging this trust gap is essential for fostering collaboration and finding effective global solutions to climate challenges.

In summary, while it was encouraging to see conversations shifting to include previously absent stakeholders, dealing with climate change requires global collaboration, setting aside individual interests. It's urgent because time is running out. We need to stop talking in silos and start taking real steps toward a sustainable future.

Unlocking climate funds: Pakistan faces several roadblocks

This shared responsibility demands a commitment to fairness, open communication, and collective action. "Actions still have to be taken. Words are easy, but it's the actions taken that matter." — Inger Andersen, Under-Secretary-General of the United Nations and Executive Director of the United Nations Environment Programme.

DAWN

Addressing the motherhood penalty

In 2018, Pakistan's development Roadmap 'Vision 2025' targeted increasing female labour force participation to 45 per cent in 2025. However, as we end 2023, Pakistan's female labour force participation remains at 24pc, with participation in the formal sector lingering at less than 10pc.

Time and again, women leave their jobs and either pursue career options which revolve around the school run or stop working as access to professional childcare facilities is restricted to those who can afford it or receive a subsidy.

Globally, research in Organisation for Economic Co-operation and Development (OECD) countries identifies women lose out on 60pc of their income in the first 10 years after childbirth — calling this the motherhood penalty (Women in Work Index 2023). This leads to other forms of inequality in the workplace — unequal pay and slower career progression.

To address this, the challenge lies in three critical aspects: acknowledging that childcare is a shared responsibility of both parents, offering a range of viable solutions, and ensuring that policies holistically address the families' needs. Both employers and policymakers require a structural relook at childcare, which needs a collaborative effort.

Employer's Prerogative

From an employer's outlook, female attrition impedes their ability to retain skilled workers, especially as there is growing recognition that a diverse workforce is essential for longterm value creation.

Investing in childcare is the employer's prerogative and must make financial business sense unless an external direction requires

Global good practice recommends implementing three critical strategies for addressing motherhood-related attrition: retention diagnosis, flexible working and childcare policies, and inclusive language in family-friendly policies.

Furthermore, tone-setting is essential to address biases such as the "maternal wall." The leadership can address the barriers by communicating family-friendly policies that apply to both parents and actively encouraging fathers to avail of them.

Moreover, the pandemic has taught employers that policies can be adapted, resulting in more employers being open to flexible working situations and remote work options. While flexible working hours have proven to be as easy to implement as they are advantageous for parents who need to do the school run, childcare remains tricky.

Managing third parties is complicated for companies, and children are at the top of the list. Options for onsite childcare only make business sense if catering to a large workforce, while offsite reduces employer responsibility but costs more.

Nevertheless, one must recognise that investing in childcare remains the employer's prerogative and must make financial business sense unless an external direction requires them to do so.

Policymakers' perspective

As representatives of society, two factors shape the policymakers' point of view: the safety of children and how childcare weighs in on female labour force participation. As children are at the heart of any intervention, each decision made needs to be viewed considering a child's needs.

As a result, policymakers bear a significant responsibility to approach childcare holistically, which involves establishing a regulatory framework for employers, facilitating access to childcare for parents, and ensuring its availability.

The policymaker is responsible for ensuring the employer addresses childcare. From this vantage point, one can summarise the steps usually taken at the regulatory level in three routes: recognising childcare as a public good and allocating public funds or providing tax relief to parents, and incentivising employers to invest in childcare through tax breaks or mandating employers to offer childcare support – the carrot and stick approach.

The first model represents the ideal approach but would require a complete rehaul of the system and political goodwill, while the latter two have drawbacks that often end up frustrating parents.

Thus, a bottom-up approach is required to address specific challenges and incorporate parental feedback to guarantee that policy caters to the parents and children. It is essential to recognise that parents face varying circumstances, and their requirements depend on factors such as the age of their children, employment status, commuting distance, and safety concerns in their surroundings.

As policy developers, their role includes undertaking data analysis on how parents manage childcare, which is a starting point for addressing shortcomings. Potential solutions can be investigated by mapping available childcare methods, including lessons from informal options.

Many parents rely on informal options which offer greater flexibility.

As policymakers pursue potential solutions to improve childcare, addressing the biases women encounter necessitates acknowledging that the responsibility for childcare falls on both parents. Here, their role is of the change maker, and stakeholder engagement is crucial for society to recognise the dual income — dual care role. To achieve this, any policies developed must include a communication strategy and maintain open communication channels to ensure progress.

Research by the Asian Development Bank highlights more women in the workforce can boost the economy by 30pc, and this interests both policymakers and employers. However, to see sustainable growth in the numbers requires the recognition of mothers' struggles in managing their dual roles. Therefore, to ensure women remain in the workforce, solutions must address the underlying causes of the 'motherhood penalty'.

The writer is the Head of Initiative at the Centre of Excellence in Responsible Business at the Pakistan Business Council

CERB on Social Media

LinkedIn

LinkedIn growth has been slow this quarter but can be attributed to the off-season with most employees being on annual leave. Our best performing post was a round-up of the Creating Livelihoods Summit with 3,567 impressions and a 53% click through rate.

1,622 REACTIONS ↑146.4%

52 COMMENTS 0%

66 REPOSTS ↓35.9%

Instagram

Consistent posting on Instagram has resulted in an 41% follower count growth in this quarter. While Instagram is a platform different in tone and voice for CERB, it has helped in our outreach initiatives because we have tagged our partners who reshare our posts and stories creating further brand awareness for their audiences

329 FOLLOWERS +41.8% VS 19 SEP

X-Posts (formerly Twitter)

85 X-posts

57,695 Impressions

18 New Followers

798 Total Followers

Social Media Campaign

CERB collaborated this year with digital media outlet VCast to develop a series on their flagship "Employer of Choice" Gender Diversity Awards. Three videos in the series are now available on all VCast platforms which have a combined following of 275000 across YouTube, Instagram, Facebook and LinkedIn.

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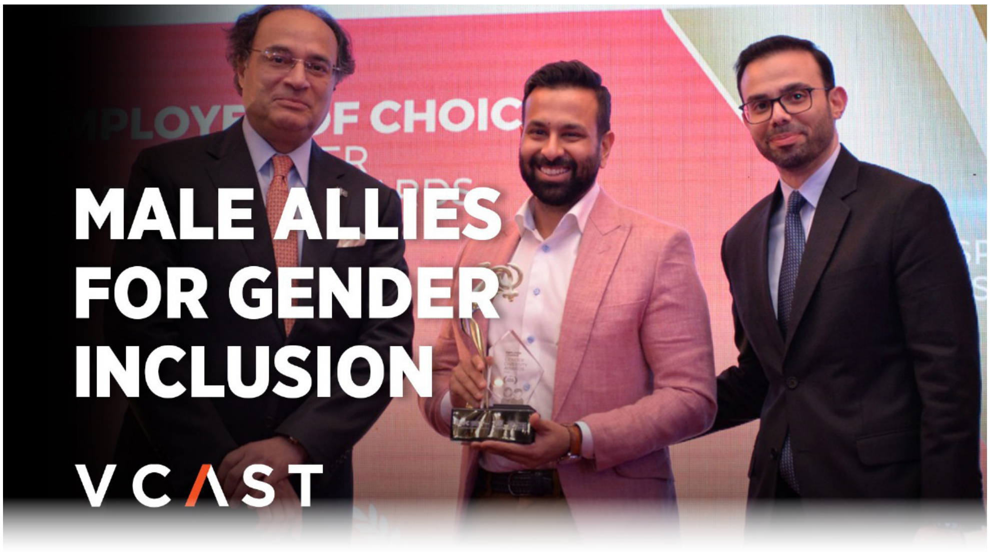
Link: YouTube

Link: YouTube



Link: YouTube

Link: YouTube

About PBC

The PBC is a private sector business policy advocacy forum composed of Pakistan's largest businesses / groups including multinationals that have a significant investment in and a long-term commitment to the growth of Pakistan. Members turnover represents every ninth Rupee of Pakistan's GDP and together the members contribute 25% of tax revenues and 40% of exports. More information about the PBC, its members and its activities can be found on our website www.pbc.org.pk

Jazz	JS BANK	Jubilee GENERAL INSURANCE	K&N's
KE Energy That Moves Life	KHAADI	LIBERTY	LIPTON Teas and Infusions
LOTTE	LUCKY CEMENT	MACPAC FILMS ltd.	MAHMOOD GROUP
Martin Dow Creating Distinction for Life	MASOOD ROOMI	mayfair The little joys of life	MEGA MEGA CONGLOMERATE
National FOODS SINCE 1970	NAVEENA GROUP	Nestlé Good food, Good life	NIMIR
OLP	Packages Limited	PEPSICO	PSL PAKISTAN SERVICES LTD.
PSX PAKISTAN STOCK EXCHANGE LIMITED	ptcl		reckitt
SAIF GROUP	SAP	Sapphire	Servis
Shan	SICPA	SIEMENS	Soneri Bank
SOORTY World Of Denim	SPEL Synthetic Products Enterprises Limited	Standard Chartered	systems
TAPAL	TATA PAKISTAN	TCS WE MOVE YOU	Tetra Pak PROTECTS WHAT'S GOOD
TG	TOYOTA INDUS MOTOR COMPANY LTD.	TPL	TTE
Tufail Chemical Industries Ltd.	UBL where you come first	Unilever	Young's

The PBC Affiliates

The PBC Members and its Affiliates by Sector

PBC currently has 99 members 5 affiliates whose businesses cover nearly all sectors of the formal economy. The sector wise representation (in alphabetical order) is detailed below:

Sector	Member & Affiliate Companies
Large-Scale Manufacturing	
Agro Industries	2
Cement	2
Chemicals / Fertilizer	11
Energy	2
Engineering	13
Fast Moving Consumer Goods	18
Packaging Material	3
Pharmaceuticals and Healthcare	7
Sports Gear	1
Textiles	12
Total Members in Large-Scale Manufacturing	**71**
Services	
E-Commerce	1
Financial service	12
Hospitality	1
Insurance	3
Logistics / Courier	2
Real Estate Developers	1
Software	3
Telecommunication	2
Utilities	1
Total Members in the Services Sector	**26**
Conglomerates	**5**

34 MNC's from 14 Countries

USA

UK

UAE

Switzerland

Japan

Atlas

TOYOTA INDUS MOTOR COMPANY LTD.

OLP

Netherlands

AkzoNobel

FrieslandCampina Engro Pakistan Limited

Jazz

LIPTON Teas and Infusions

France

HBL

Bahrain

faysalbank

South Korea

LOTTE

Hong Kong

HUTCHISON PORTS PAKISTAN

Germany

SAP

SIEMENS

China

TTE

CHANGAN AUTO

Sweden

Tetra Pak PROTECTS WHAT'S GOOD

Turkey

Dawlance

The Pakistan Business Council
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