PBC Activity Report

APRIL TO JUNE 2023

This report summarizes the activities of the Pakistan Business Council (PBC) for the period April 1, 2023 to June 30, 2023.

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

Major Advocacy Activities & Events During The Quarter

Pre-Budget Meeting with the Federal Finance Minister:

A joint PBC and OICCI delegation met the finance minister prior to the announcement of the Finance Bill 2023. The PBC delegation led by its chairman and comprising of the Head of the PBC Tax Committee, the CEO & the Director Research emphasized on the FM the need to increase the tax base instead of burdening existing tax payers with higher taxes. The delegation highlighted the scope for taxing wholeasale, retail and real estate and to stem underinvoicing of imports and for creating a level playing field for the formal sector. PBC also stressed the necessity to provide an environment for businesses to grow through consolidation, and in the process generate higher tax revenue. The FM was assisted by the Governor SBP, the Minister of State for Finance, the Chairman FBR, the SAPM on Finance and the Minister of State on Revenue.

PBC Presentation to Senate Standing Committee on Finance of its Proposals for the Finance Bill 2023:

As part of its deliberations on the Finance Bill 2023, the Senate Standing Committee on Finance invited the PBC to share its proposals for Budget 2023. The PBC delegation led by its Vice Chairman emphasized the need to increase the tax base, potentially by Rs. 2 Trillion, rather than taking short-term measures to further tax the already taxed.

Pre-Budget Meeting with the FBR on PBC's Proposals for the Finance Bill 2023:

A PBC delegation led by the Vice Chairman of the PBC and comprising of the Head of the PBC Tax Committee, PBC CEO, the Director Research PBC and senior members of the PBC Tax Committee held a meeting at the FBR at which the PBC presented its proposals for the Finance Bill 2023. The government side was led by the SAPM on Revenue, Minister of State and Chairman of the Reforms and Resource Mobilization Commission, and Member IR Policy & Member Customs FBR.

Launch Event, PBC Study on "Understanding Informality in the Wholesale, Retail & Real Estate Sectors":

A launch event was held for the PBC commissioned study by the Consortium for Development Policy Research (CDPR) which quantifies the cost to the economy from informality in the wholesale, retail and real estate sectors. The launch event in Islamabad was chaired by Mr. Ashfaq Tola, Minister of State and Chairman Reforms and Resource Mobilization Commission.

Launch Event, PBC Study "Enhancing the Competitiveness of the Cutlery Sector of Pakistan.":

The PBC hosted a launch event of the joint PBC – EDB study aimed at improving the export competitiveness of Pakistan's Cutlery Sector. The meeting was chaired by the Chairman EDB, others who spoke at the launch event included the CEO of the PBC, the CEO of the EDB and the Chairman of the Cutlery Association. This study was part of the PBC/EDB collaboration aimed at improving the competitiveness of Pakistan's engineering sector.

Launch Webinar of PBC Study "Using E-Commerce to Promote the Exports of Fashion Products from Pakistan":

The Study explores the opportunities for increasing exports using the E-Commerce platform. The findings of the Study were presented by Ms. Farah Naz Ata, Economist at the PBC and the panelists included Mr. Ziad Bashir – Founder Director, Ideas by Gul Ahmed, Mr. Nabeel Abdullah - Founder and CEO, Sapphire Retail Ltd., Mr. Zahir Rahimtoola – CEO ECOM, Mr. Asfandyar Farrukh – Managing Director Urban Brands, Mr. Ammar Naveed Iklas – Head of Payments and Solutions Bank Alfalah, Mr. Samir S Amir – Director Research PBC. The session was moderated by Mr. Ehsan Malik – CEO PBC.

Launch Webinar of PBC Study "Export Competitiveness of Pakistan's Spice Mixes Category":

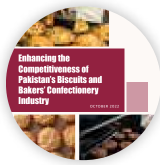
Pakistan is a major player in the Global Spice Mixes category, the PBC Study highlights the opportunities and the policy framework required to double category exports in the next 3 to 5 years. The findings of the Study were presented by Ms. Anum Hussain – Senior Analyst PBC. The panelists included; Mr. Abrar Hasan – CEO, National Foods Ltd., Mr. A. Sadiq Tawab - Director Agro Hub International, Ms. Fauzia Sadiq – Director Agro Hub International, Mr. Farrukh Aijaz Shaikh – Head of Production and Supply Chain, Mehran Spice and Food Industries and Mr. Samir S Amir – Director Research, PBC. The webinar was moderated by Mr. Ehsan Malik – PBC CEO

Launch Webinar of PBC Study "Enhancing the Competitiveness of Pakistan's Computer Services Exports":

The Study highlights the opportunities and policy changes required to increase exports of computer services from Pakistan. The findings of the Study were presented by Ms. Farah Naz Ata, Economist at the PBC. The panelists included; Mr. Asif Peer – CEO & Managing Director, Systems Ltd., Mr. Athar Imran – CEO, Sybrid (Pvt.) Ltd., Ms. Ammara Masood – CEO National Data Consultants (Pvt.) Ltd., Mr. Salim Ghauri – Founder & CEO, NETSOL Technologies, Mr. Faizan S. Syed – Founder & CEO East River Digital and Mr. Samir S. Amir – Director Research PBC. The event was moderated by Mr. Ehsan Malik – CEO PBC.

Launch Webinar of PBC Study "Enhancing the Competitiveness of Pakistan's Biscuits and Bakers' Confectionery Industry":

The Study explores the potential for increasing exports of biscuits and bakers' confectionery from Pakistan. The findings of the Study were presented by Ms. Shahray Jawaid, Research Analyst at the PBC. The panelists for the webinar included; Dr. Zeelaf Munir – Managing Director & CEO, English Biscuits Manufacturers, Mr. Rafey Nisar Zuberi – Chief Marketing Officer & Head of International Business, LU – Continental Biscuits Ltd., Syed Intikhab Ali – Cluster G M Sales, Golden Harvest Foods and Mr. Samir S Amir – Director Research PBC. The event was moderated by Mr. Ehsan Malik – CEO, PBC.



Joint PBC/EDB Meeting with Aluminum Utensils Manufacturers Association:

A joint PBC/EDB meeting with the Aluminum Utensils Manufacturers Association was held in Gujranwala to finalize the study on the export competitiveness of Pakistan's aluminum utensils sector. The Study is expected to be finalized in Quarter 1 of the coming financial year.

Visit of ADB Delegation to the PBC:

A delegation of the Asian Development Bank (ADB) visited the PBC to garner PBC's input in the ADB project "**Supporting Private Sector Development and Export Growth through Evidence Based Policy Formulation**". The ADB team comprised of the Principal Economist Pakistan, the Senior Economic Officer Pakistan & the ADB's National Consultant for the project.

CEO's Participation in Meetings & Webinars:

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

Attended a webinar organized by the Atlantic Council, Washington with David Malpass, 13th President of the World Bank on the subject of reviving growth in the face of rising cost of borrowing

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Participated in the Islamic Development Bank Private Sector Forum meetings in Jeddah, Saudi Arabia focusing on promotion of trade and investment to drive sustainable growth in the Islamic world

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Attended a meeting with the IFC Green Building leads to promote environmentally sustainable buildings in Pakistan

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Moderated a panel discussion at the IBA School of Business Studies International Conference on Sustainability. Panel consisted of Muhammad Aurangzeb, Chairman PBC and President HBL, Amir Paracha, CEO Unilever Pakistan, Faryal Sadiq, VP Interloop, Dr. Abdullah Shaikh, Dean IBA School of Business Studies and Nazish Shekha, Head of Research at the Centre of Excellence in Responsible Business of the PBC

Dr. Moeed Yusuf, former National Security Advisor, now Chancellor of the Beaconhouse National University visited the PBC. Discussed geopolitical developments affecting the economy and the potential of business engagement with the academia

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Mr. Mohammad Ali Khan, Executive Director Strategic Initiatives, LUMs visited the PBC to discuss a programme on developing resilience to deal with the current economic challenges in Pakistan

Met Mr. Asad Hameed Khan, CEO ACCA Pakistan to discuss progress on the ESG programme and ongoing collaboration on promoting investment

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Mr. Mohsin Ali Chaudhry, Corporate Governance Officer IFC visited the PBC to explore avenues of further PBC/IFC collaboration on sustainable growth

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Mr. Yohei Shiomoto, Mitsubishi Corporation Country Representative for Pakistan visited the PBC along with Mr. Ando San, former Pakistan Country Representative. Discussed factors leading to current economic challenges and possible solutions

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Panelist on the IFC webinar with State Bank, Banks and DFIs on the Environmental and Social Risk Management (ESRM) initiative.

Patrick Curran, Senior Economist, Frontier & Emerging Markets Research of Tellimer met the CEO to discuss issues affecting the economy

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Attended a meeting with US Aid on its initiative to gear up the effectiveness of the federal and provincial investment promotion agencies

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Spoke at a roundtable organized by ReMIT (Revenue Mobilization for Investment and Trade). A UK FCDO funded Programme. CEO shared his views on the challenges and opportunities to improve the investment climate

Attended the PIDE Trade, Industry & Productivity webinar

Met Andy Halford, Group CFO, Standard Chartered Bank at a breakfast roundtable at the British Deputy High Commission to discuss challenges and opportunities in Pakistan

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Met Mr. Wille Eerola of the Finland Pakistan Business Council and his delegation and discussed investment opportunities.

Internal Workings of the PBC

21st PBC HR Committee Meeting:

The 21st Meeting of the PBC HR Committee was held on June 20th, 2023 at the PBC. The HR Committee reviewed the performance of the CEO and the PBC management team against their assigned targets and recommended bonuses and increments for the year starting July 1, 2023.

87th PBC Board of Directors Meeting:

The 87th PBC Board of Directors Meeting was held on June 20th, 2023 at the PBC. The Board considered the recommendations of the HR Committee on the CEO's emoluments effective July 2023 and the bonus for the year ended June 30, 2023. The Board also reviewed the major thrusts and proposed targets for the PBC for the year ahead.

Press & Media Coverage

INTERNATIONAL THE NEWS

TUESDAY, JUN 27, 2023

Analysts perplexed by SBP's sudden increase in policy rate

ERUM ZAIDI

KARACHI: The State Bank of Pakistan unexpectedly raised its benchmark rate to a record high of 22 percent in an emergency meeting on Monday, which analysts criticised saying the move was more to appease the International Monetary Fund than curb cost-push inflation.

The SBP Monetary Policy Committee (MPC) hiked the policy rate by one percentage point to 22 percent in a meeting held just after two weeks of a regular meeting. On June 12, the SBP had left the rate steady considering weak domestic demand and expectations for a decline in inflation after June.

"I am surprised to see SBP's justification for raising rates today," CEO of Alpha Beta Core, Khurram Schehzad, stated on his official Twitter account.

The SBP cited tax increases in the budget to be one of the key reasons for raising rates. Taxes are administered through price changes. So interest rates cannot control taxes, especially when taxes are imposed on incomes instead of consumption, according to Schehzad.

Two noteworthy events that have had a negative influence on the inflation forecast and may put additional strain on the already strained external account have been recognised by the MPC. First, the National Assembly's recent approval of the FY24 budget has resulted in increases in taxes, tariffs, and the petroleum development levy rate, prompting questions about how these would affect the outlook for inflation as a whole. Second, a key development is the SBP's recent decision to withdraw its general guidance to commercial banks on import prioritisation.

The goal of meeting the requirements of the ongoing IMF programme has driven the decision. The MPC accepts the need for the actions but also that they have increased the upside risks to inflation and the exchange rate.

"How can tax increases cause inflation when the tax itself is having an impact on disposable incomes, reducing aggregate demand, and causing expected drops in prices? Since these taxes have been placed primarily on income, they will only reduce the economy's already low disposable incomes in a recessionary scenario," Schehzad explained.

Analysts say the SBP's decision to raise interest rates as a last-ditch effort to clinch a crucial IMF programme that is due to expire on June 30. The government's revised 2023–2024 budget, which complies with the IMF requirement, was approved by the parliament on Sunday. The SBP lifted all import restrictions over the weekend. These events suggest that the nation is nearly through with the IMF's ninth review.

The main cause of overall inflation is food inflation, which is mostly brought on by supply shocks.

With imports reduced and a parallel smuggled economy growing, how could an increase in rates stop the informal economy (smuggling) rather than just putting further pressure on the official sectors? Other than the IMF, what else served as justification for rate changes, Schehzad questioned.

Ehsan Malik, CEO of Pakistan Business Council, said the 100bps point increase like previous ones would not stem cost-push inflation and was clearly aimed at pleasing the IMF. Amongst the reasons given for the increase is the relaxation of imports.

"One wonders how with the current precarious level of forex reserves, the MPC could possibly believe that imports can be relaxed. Secondly, higher taxation will reduce disposable income, hence demand, so that cannot be a reason to increase the policy rate either," Malik said.

A 30 percent increase in government salaries and revision in pensions could and the government should have factored in the inflation risk when proposing the level of increase in the budget. "It will now be burdened with even higher debt servicing cost," Malik added.

"Every which way you look; the formal private sector and those who work for it are losers. Higher taxes, now the even higher cost of borrowing, in an illusion of import relaxation - they must think the private sector has unlimited capacity to absorb these shocks. It doesn't and the consequences of these shocks will need to be addressed by the next government according to Malik.

Some analysts were of the view that Pakistan will unlock inflows from friendly countries as a result of the resumption of the IMF programme.

"This sudden development confirms that discussions with IMF are happening at a frenzied pace. An IMF deal at this time will be a huge confidence booster for Pakistan, as it will catalyse other inflows from multilateral sources including World Bank and IDB," said Komal Mansoor, head of research at Tresmark. After repaying some external debt in FY2023, which affected the foreign exchange reserves, Pakistan's debt repayment for the next 12 months (June 2023 to May 2024) is $20.7 billion, according to Topline Securities. In 11 months of FY2024 Pakistan has to pay $17.6 billion while a few days back SBP governor estimated full-year FY2024 debt repayment of $23 billion.

"Though debt repayment is coming down, without IMF or/and support from friendly countries it will be difficult to manage considering current net liquid FX reserves of $3.5 billion (excluding public $ deposit of $5.3 billion and gold reserves estimated at $4 billion)," the brokerage said.

DAWN

TUESDAY, JUNE 27, 2023

Hike in policy rate to cripple business and industry: KCCI

AAMIR SHAFAAT KHAN

KARACHI: The State Bank`s move to raise the policy rate to 22 per cent will strike a mortal blow to an already struggling business community, the chief of Karachi Chamber of Commerce and Industry (KCCI) said on Monday.

`The decision will further push up the cost of doing business and dampen prospects for reining in cost-push inflation,` Tariq Yousuf, the KCCI president, said.

The interest rate would virtually go up to 25 per cent after adding KIBOR plus, making borrowing from banks highly unattractive, Mr Yousuf said. `This decision of the State Bank is totally against investment.

He said it would be hard for business and industry to survive on high interest rates at a time when the soaring power tariff and rising taxes had already pushed up the cost of doing business, making exports uncompetitive in the world market.

Tariq Yousuf said despite several rounds of negotiations between the government and the business community, no remedial measures have been proposed in the budget to spur industrialisation. Instead, industries have been burdened with countless taxes and duties. `I don`t know where we will end up,` the KCCI chief added.

Ehsan Malik, CEO of Pakistan Business Council (PBC), said the 100 bps point increase, like previous ones, would not stem cost push inflation. `It`s clearly aimed at pleasing the IMF.

One wonders how with the current precarious level of foreign exchange reserves, the monetary policy committee (MPC) could possibly believe that imports can be encouraged, Mr Malik said.

Higher taxation, he went on to warn, would reduce disposable income and demand. `So that cannot be a reason to increase the policy rate either.

The government should have foreseen the inflation risk when it proposed a 30pc raise in government salaries and pensions, the PBC chief said.

Andul Aleem, Secretary General of the Overseas Investors Chamber of Commerce and Industry (OICCI), said `the interest rate hike is going to further make cost of doing business uneconomical and upset investment plans`.

Jawed Bilwani, the President of Pakistan Apparel Forum (PAF), said `can the IMF or Finance Minister Ishaq Dar tell us` which trade or industry can run, survive and make profit at 22pc policy rate.

`Time is coming for industrial suicide. How can we contribute to government revenue amid a rising interest rate regime.

Riazuddin, President of the Site Association of Industry (SAI), said a tricky situation had emerged as the interest rate hike would hurt both the government and the industry. The government is the main borrower while the private sector is reluctant to borrow due to high interest rates, he observed.

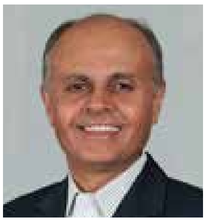
`At 25-26pc interest rate, it will be hard to borrow from the banks,` he said, adding that it will be hard for the government to earn revenue due to plant closure and decline in large-scale manufacturing.

Auto parts vendor/exporter Mashood Ali Khan said interest rates were going up at a critical juncture for the economy, thus making the future more challenging.

UPDATED WEDNESDAY MAY 31 2023

Budget 2023-24: A fiscal roadmap to economic freedom

Finance Bill 2023, which is being presented in very trying times for Pakistan's economy, needs to promote an environment which facilitates investments in manufacturing and services sector


Ehsan Malik

Fiscal policy and tax administration are both crucial for creating an enabling environment for businesses in the formal sector to have a level playing field vis-à-vis the informal sector.

Pakistan's taxation regime needs fundamental reforms to lead to the sustainable growth of both the country and its tax revenues.

These reforms are contingent on political will to pursue those outside the tax base and the Federal Board of Revenue's (FBR) capability and capacity to implement policies. Both have been weak and will take time to bear results.

In the meantime, knee-jerk revenue-seeking actions undermine the profitability of businesses in the formal sector and hence long-term tax revenues for the government.

Taxes should be simple, predictable and supportive of business growth and the formalisation of the economy. The aim should be for higher tax revenues to flow from a combination of improved profitability of existing taxpayers and from broadening of the tax base.

The industry which represents 20% of GDP presently contributes a disproportionate 56% of taxes. It should be facilitated to create more jobs, boost value-added exports and promote sensible import substitution. The impact of taxes on manufacturing vs commercial importers should be reviewed, as should the impact on corporates vis-à-vis other forms of business structure, such as Association of Persons.

The earlier tax credit to encourage taxpayers to transact with the formal sector should be revived and the vast amount of information on non-taxpayers provided by withholding agents should be mined. Though in principle a "non-filers" category is flawed as are penal withholding taxes that raise revenue but fail to lead to the broadening of the tax base, but given the issues with FBR's capacity, there is little choice but to levy higher advance taxes on utility bills, real estate transactions and luxury expenditures of "non-filers".

On the other hand, corporate entities, especially those listed, which operate to a higher standard of governance and accountability as well as their shareholders must not be penalised in comparison to unincorporated entities and their owners. Otherwise, the incentive to incorporate will be undermined. Pakistan Business Council (PBC) estimates a potential tax revenue of Rs747 billion from wholesale, retail and real estate sectors.

Fiscal policy should support capital accumulation and scale through consolidation in the form of groups. Dividends from subsidiaries to the holding company and from the holding company to its shareholders should not be taxed twice. This is the global norm and was applicable in Pakistan from 2008 until withdrawn in 2021. There should be a level-playing field in the holding periods for capital gains tax on sale of company shares vs. real estate.

FBR's reliance on minimum, advance and withholding taxes has grown sharply as this is an easier option than assessing taxable profits

FBR tax targets must not be set without creating capacity and capability through technology and fresh talent. Otherwise, the FBR has no choice but to pursue existing taxpayers for more. Separate targets should be set for revenue from existing and new taxpayers.

Targets for existing taxpayers should be in line with expected growth in the nominal GDP. The target for new taxpayers should be set in line with the evolving capability and capacity of the FBR.

Tax refunds due should be excluded when assessing performance of the FBR against either of these targets. On the other hand, taxpayers should be allowed to offset assessed refunds against liability for any other type of tax e.g., GST, Excise Duty etc.

Minimum tax based on turnover is fundamentally flawed and acts as a barrier to the entry of new players by raising the initial investment required to cover the tax payable in early loss years. FBR's reliance on minimum, advance and withholding taxes has grown sharply as this is an easier option than assessing taxable profits. This reliance should be phased out gradually. Levying a minimum turnover tax on SEZ enterprises and others in their tax holiday periods defeats the purpose of the tax holiday.

The use of cash in the economy needs to be actively discouraged. Restrictions on the use of cash above a certain limit would also assist. Also, the requirement to furnish CNIC for transactions above a certain limit should be revived. At the minimum, it should apply to B2B transactions.

The transit treaty with Afghanistan has been misused through the diversion of goods to Pakistan. The Afghan Transit Trade Agreement has expired. With the evolving situation in Afghanistan, Pakistan needs to renegotiate the treaty with clauses putting in quantitative and qualitative restrictions on what can transit, insist on letters of credit where possible, and charge duty and GST on imports which would only be refunded to the Afghan government on exit. It should also track and monitor containers moving across the border, strengthen inspection of empty containers returning to Pakistan and make physical controls along the border stronger. The civil and military authorities need to be on the same page to do this.

Electronic Data Interchange with key trading partners should be deployed to check the under-invoicing of imports. Pakistan Business Council estimates that Pakistan annually loses up to Rs500 billion from under-invoicing of imports from just four countries — China, Singapore, UK and Germany. The provinces have little incentive to check smuggling as customs duty and GST evaded are federal taxes and do not hurt their revenues directly. Provinces may be incentivised to facilitate raids on shops that deal in smuggled goods. Positive lessons from the success of cell phone registration with PTA and Urdu language labelling requirements for imported food items can be applied to other smuggling-prone goods.

One of the major reasons why those in the informal sector resist joining the tax base is the threat of harassment by the FBR and the complexity of returns. Returns should be made simpler and easier to file using digital means. Also, the fragmentation between federal and provincial taxation and returns should be resolved to make it easier to comply.

DAWN

2023-06-25

Business community decries greater burden on masses, industry

BY AAMIR SHAFAAT KHAN

KARACHI: Reacting to the imposition of new taxes and other harsh measures by the finance minister in his winding budget speech, the business community on Friday said the budget for next fiscal year lacked focus on tapping resources for future development and broadening the tax net besides keeping budget anomalies unresolved.

Secretary General Overseas Investors Chamber of Commerce and Industry (OICCI), Abdul Aleem said after going through the budget speech of the finance minister, `I do not think that Mr Dar and his team have done justice to anomalies which have been raised by the various stakeholders including OICCI.

He said one of the main issues was the high level of super tax imposed on the large corporate sector. The government has revised some rates and come out with some sort of accommodation to lower levels but most of the big corporate sector is still being asked to pay 10pc super tax which is very harsh and it is not good for investment.Mr Aleem said the government has effectively increased corporate tax rates to 39pc from 29pc while the regional average is 25pc. `In this environment, how do we expect that foreign direct investment will be attracted apart from different reasons? He added this is a bit of a serious disappointment.

He said the other issue OICCI has noticed is that the government has not taken any measures to broaden the tax base on which key stakeholders have expressed serious concerns.

`I do not know why the government is very happy that Rs9.4 trillion revenue will be collected. This is not enough.

There is a lot the government can get on which the stakeholders have suggested various measures,` he said.

One of the good measures taken by the finance minister is to resolve disputes through a sub-committee. `If this committee is active, there is a need to reduce the number of litigations pending and the government and the corporate sector should know about the real obligation. Another good step is the increase in minimum wages`, he added.

`All in all we are not happy and thecorporate sector has not been taken good care of,` remarked the OICCI spokesman.

Pakistan Business Council Chief Executive Ehsan Malik said `We don`t have enough details of the changes other than a small cut in expenditure and a further increase in taxes mostly on the already taxed.

He said he did not see any radical new initiative to expand the tax base especially to bring retailers and wholesalers into the tax net. There is some tweaking in the windfall tax section through a reduction in the look-back period to three years but it will continue to create uncertainty and affect business sentiment.

Mr Malik said the super tax will continue to burden successful businesses that create employment and already generate good tax revenues. A clear message to the companies caught in the tax net is to remain small and under the radar, if possible by splitting existing businesses into smaller units or moving investment out of the country. For professionals, the message is similar relocate! The main winners are bureaucrats, he added.Karachi Chamber of Commerce and Industry President Tariq Yousuf said the imposition of 5pc levy on fertiliser and Rs10 per litre petroleum development levy would increase the burden on the masses and hit the industry as Rs215bn new taxes were imposed.

The finance minister had not talked about any future development, resources, rationalisation of power rates and broadening of the tax net.

Site Association of Industry Chairman Riazuddin said `We are waiting for the details of the amended finance bill/act to see the fresh Rs215bn taxation measures but this will certainly make an adverse impact on the consumers` cost of living and further burden the industries.

He said the government should have taken measures to bring down general sales tax (GST) to a single digit on essential items, while there is no harm in keeping 25pc GST on luxurious goods.

Site chief there was a need to rationalize customs duty on various goods at a threshold level of 25-30pc to curb smuggling but nothing has been done in the budget.

Pakistan Today Profit

MAY 14, 2023

"We're tired of being resilient" — a portrait of Pakistan's turmoil-hit industries

Market sentiments and the business community's confidence is almost entirely shot. But how are they preparing for the worst?

ABDULLAH NIAZI & DANIYAL AHMAD

There is a mistake that actors preparing to play Julias Caesar in Shakespeare's seminal historical play often make. In the scene where Caesar is stabbed on the floor of the senate, they scream or shout out in agony. But any director or acting coach worth their salt will tell the actor that a person getting stabbed in the back does not respond with a scream, a shout, or any other such theatrics.

No.

The response is always a gasp. The force of a dagger entering the back completely knocks the wind out of a man. The reaction, thus, is an exhale. In the case of playing Caesar, it is a gasp of the most tragic proportions where the literal life pours out of a once proud and powerful man. The anger, the betrayal, the hopelessness, the helplessness all translate into one agonising release of breath followed by a slow but inevitable slump onto the floor.

Pakistan, and more specifically its economy, is the middle of one such gasp. Over the past week, Profit has been in contact with major industrial players all over Pakistan. Many of them ranted and raved. Others expressed shock and dismay. There were still more that had no reaction other than complete and utter resignation at the road that lies ahead.

All of them agreed on one thing: they have no idea what is going to happen but it will be bad.

Put things in context. Pakistan has for all intents and purposes given up on a deal being struck with the International Monetary Fund (IMF). The finance minister, who was responsible for messing up the process in the first place, has publicly said in his latest statement that the country cannot continue to take difficult decisions for the sake of the IMF. He has also claimed that even if the deal falls through Pakistan won't default.

This last claim is a little difficult to digest. We currently have no money to repay our external debts in the July to December time period. Since a lot of our foreign aid is contingent on the IMF signing an agreement and releasing funds it seems next to impossible. At the same time, the government has just told the fund they will roll back their petrol cross-subsidy plan to secure the deal, indicating very strongly that they know there is no recourse without the fund being on board. It doesn't help public sentiment that the government has been lying to the public about the state of negotiations with the IMF since February, promising that the deal is "just a few days away" for four months now.

Caught in the midst of all this are the people of Pakistan. Hounded, beleaguered, lied to, angry, and disrupted by the political chaos that has escalated in the country since the arrest of former prime minister Imran Khan, the cost of living crisis and unemployment that could rise out of a default may complete throw Pakistan into chaos and its people into despondency.

Perhaps nothing better captures the despondency than industry sentiments. The confidence of the business community is shot, and while there are many places and people to point fingers towards, the current reality is sobering. The following are a collection of comments and reactions to the ongoing political, economic, and social crisis in Pakistan from major business and industrial leaders and market experts.

You can't be resilient in a vacuum

Ehsan Malik

Chief Executive Officer of the Pakistan Business Council

The PBC is a large umbrella organisation that advocates for macro policy changes that will be pro business in Pakistan. Since it has a lot of stakeholders, it does not exactly participate in strategic engagement the way the other organisations such as APTMA do. It is, in essence, a large body that represents general business interests in Pakistan. Speaking to its Chief Executive Officer, Ehsan Malik, it appeared the sentiments of the business industry are aligned with the mood of the nation.

"The steadily worsening impact of the twin-deficits plaguing Pakistan's external and fiscal accounts has now been overtaken by a third deficit, which is the trust deficit. Trust deficit in our political leadership, establishment, judiciary, media and the elite. The latest developments are a continuation and buildup of this deficit. The IMF does not trust the current, or the previous government. Our traditionally friendly countries are shy to come forth with assistance. The politicians don't trust each other. The judiciary is divided and the government is at loggerheads with its decisions," he explains.

“There was never much love for bureaucrats or their control through a colonial regulatory mindset. The not-so-hidden hand of the establishment is much more visible by the day. Traders and shopkeepers are not convinced to pay taxes. State-owned enterprises bleed the economy at a growing rate, as does energy circular debt. Business is suffering from a policy rate which is intended, but has miserably failed to arrest inflation. Together with a severe import crunch, banks and E&P sector aside, the KSE-100 profits were down 36% in 1Q 2023 vs SPLY. Adjusted for inflation, they were half that of 1 Q 2022. Remittances are falling, smuggling is growing, as is the informalisation of the economy. Inflation is running away and people are losing their jobs. The country's economy is fractured in so many ways. It is not surprising that lenders, including the IMF, are reluctant to proceed with their support programmes.”

He points out how the latest developments on arrests, riots, uncertainty on the timing of elections, as indeed the outcome of elections when/if they take place, are hardly likely to get the IMF to step forward and sign the SLA. “The more relevant (and disturbing) question is whether the economy is really the topmost priority for the government or the opposition. Neither has any clear plans for reforms and they don't talk to each other about the economy,” he laments.

“Pakistan's private sector is known for its resilience. However, even its ability to bounce back quickly is not going to be easy. You can't be resilient in a vacuum. There has to be space on both the demand and supply sides. Demand is severely contracted by inflation and supply by shortage of forex reserves. We are seeing a brain drain as professionals seek opportunities abroad. There is also bound to be flight of capital as those who can will move their investments out of the country. Remaining in Pakistan carries the additional risk of higher taxes as broadening the tax base is beyond FBR's capacity, nor is there political will for it.”

BUSINESS RECORDER

PUBLISHED MAY 29, 2023

SRO on ‘records of beneficial owners’ irks PBC

SOHAIL SARFRAZ

ISLAMABAD: The Pakistan Business Council (PBC) has expressed serious concern over the Federal Board of Revenue's (FBR) SRO 229(I)/2023 for maintaining records of beneficial owners by companies despite similar documentation required under the Securities and Exchange Commission of Pakistan's (SECP) laws.

FBR Chairman Asim Ahmad has received a letter from the PBC on the implications of the FBR's SRO on the corporate sector.

The FBR had issued SRO 229(I)/2023 dated February 28, 2023 that proposed amendments to the Income Tax Rules, 2002 to introduce a new chapter of ‘Record of Beneficial Owners’ for the companies.

PBC objects to SRO on records of firms' beneficial owners

The PBC has requested the FBR to immediately withdraw the SRO about the retention and provision of records of beneficial owners of companies.

The SECP has already mandated that companies maintain a record of Ultimate Beneficial Owners through the introduction of Section 123A of the Companies Act 2017, and through amendments to the Companies (General Provisions and Forms) Regulations, 2018 in the form of SRO 928(I) / 2020, which includes new 19A - Additional Particulars of Ultimate Beneficial Owners.

The SECP's legal requirements contain a detailed procedure for companies to identify and obtain information on their ultimate beneficial owners, and to report the same to the SECP through several prescribed forms.

As per the SECP's SRO 928(I) /2020, the company is required to make a note of declarations in a register of ultimate beneficial owners maintained by it for such purpose containing various particulars such as name, father's name/ spouse's name, CNIC/ NICOP/ passport number along with date of issue, nationality, country of origin, usual residential address, email address, date on which shareholding, control or interest was acquired in the company, date on which shareholding, control or interest was acquired in the company from former ultimate beneficial owner, and in case of indirect shareholding, control or interest being exercised through intermediary companies, entities or other legal persons or legal arrangements in the chain of ownership or control, the company shall take reasonable measures to obtain names and particulars of the ultimate beneficial owner of the legal persons or arrangements.

As such, complying with the existing requirements set by the SECP is already a considerable undertaking, given the extensive and comprehensive list of particulars required. Therefore, the FBR's SRO 229(I)/ 2023 is not only redundant but it also doubles the work, which will certainly go against the slogan of "ease of doing business in Pakistan" for foreign investors.

Rather than improving collaboration and data sharing between the various regulators, however, FBR is attempting to introduce additional rules and documentation to an already well-documented sector. Not only does this impose additional responsibilities on companies and shareholders, it also goes beyond the necessary scope for effective exchange of information for tax transparency.

The companies are already heavily burdened with numerous compliance requirements, interalia of identifying and obtaining information of ultimate beneficial owners and reporting the same to SECP. Sharing such information with FBR, through yet another prescribed manner, including enhanced testing requirements in certain cases to identify and obtain names and particulars of ultimate beneficial owners, would be a step towards over regulation of an already well-documented and regulated sector.

Similarly, there is a risk that the provision on retaining and providing data may end up violating the provisions of the proposed Personal Data Protection Act, 2021, and data protection laws internationally. Moreover, companies should only deal with one regulator as far as beneficial ownership and its data are concerned so that one format and a uniform approach is followed, PBC added.

BUSINESS RECORDER

PUBLISHED MAY 12, 2023

FY24: PBC urges govt to set 'realistic' tax target for FBR

SOHAIL SARFRAZ

ISLAMABAD: Pakistan Business Council (PBC) has asked the government to set a realistic tax target for the Federal Board of Revenue (FBR) for the year 2023-24, use stock market data to document new taxpayers, simplify withholding tax regime, reduce 'further sales tax' from three percent to 1-1.5 percent and specify timelines for applicability of "Super Tax" under Finance Bill 2023.

According to the budget proposals of the PBC for 2023-24 submitted to the Ministry of Finance and Federal Board of Revenue (FBR), the FBR is given an unrealistic tax target, which in the absence of resources and capability, forces it to extract more tax from existing taxpayers.

With Pakistan in an International Monetary Fund (IMF) programme, and likelihood of the current programme being followed by another longer-term program, the temptation to levy substantially higher taxes on existing taxpayers needs to be resisted.

Significant changes are required in the structure, resources, and technology of the FBR before setting targets. Separate targets should be set for revenue from existing and new taxpayers. Targets for existing taxpayers should be in line with expected growth in the nominal GDP.

The target for new taxpayers should be set in line with the evolving capability and capacity of the FBR. Tax refunds due should be excluded from revenue when assessing performance against either of these targets.

The PBC has recommended that the timeliness should be specified for the applicability of super tax. Mere levy of super tax without any specific timeline is simply an increase in the corporate tax rate from the current 29 percent.

With the recent unprecedented depreciation of the Pak Rupee, import constraints, and an increase in interest costs, it has become difficult for businesses to absorb an additional levy of super tax for an indefinite period. Without prejudice to the above, Super Tax should be applied on progressive tax basis instead of application of a certain percentage (%) on the entire income.

The PBC further recommended that the FBR has got access to financial data in various forms including the monthly statements submitted by withholding tax / collecting agents as per various sections. Information as per Statement under sections 165A, 165B, 175A and NADRA, FIA, Bureau of Immigration and Overseas Employment records are also available.

This can be a start to bringing new taxpayers in the net. In addition, the FBR has also collected data about tax paid by non-filers on vehicles, immovable property & on gains made in the Stock Market.

The minimum tax based on turnover is fundamentally flawed and acts as a barrier to entry of new players as it raises the initial investment required to cover tax payable in early loss years. FBR's reliance on minimum, advance and withholding taxes has grown sharply as this is an easier option than assessing taxable profits. This reliance should be phased out gradually.

The PBC has further recommended that the withholding tax regime should be simplified by reducing the number of withholding provisions. The current withholding tax guide available on FBR website is a 19-page document as of 2022, which clearly shows the complexity of the regime from compliance and ease of doing business aspects.

The withholding taxes applied on non-filers in the real estate and other informal sectors should be punitive in nature to ensure greater compliance. The rates of filers need to be reduced so that the burden of complaint taxpayers is reduced.

The transit treaty with Afghanistan has been misused through diversion of goods to Pakistan. The Afghan Transit Trade Agreement has expired, with the evolving situation in Afghanistan, Pakistan needs to look to renegotiate the treaty with clauses putting in quantitative and qualitative restrictions on what can transit, insist on letters of credit where possible, charge duty and GST on imports which would only be refunded to the Afghan government on exit, track and monitor containers, strengthen inspection of empty containers returning to Pakistan and make physical controls along the border stronger.

The civil and military authorities need to be on the same page to do this. Electronic Data Interchange with key trading partners should be deployed to check under-invoicing of imports. The provinces have little incentive to check smuggling as customs duty and GST evaded are federal taxes and do not hurt their revenues directly.

Provinces may be incentivized to facilitate raids on shops that deal in smuggled goods. Positive lessons from the success of cell phone registration with PTA and Urdu language labelling requirement for imported food items can be applied to other smuggling prone goods, PBC maintained.

The PBC believed that the Finance Bill 2023 which is being presented in very trying times for Pakistan's economy needs to promote an environment which facilitates investments in the manufacturing and services sector leading to the creation of jobs, which increases retention of workers in the formal sector, which increases value-added exports and ultimately benefits the government in the form of greater revenues, increased documentation of the economy and a broader tax base, PBC added.

INTERNATIONAL THE NEWS

MAY 24, 2023

PBC opposes taxation measures including fixed Super Tax on businesses

IMRAN ALI KUNDI

ISLAMABAD-The Pakistan Business Council (PBC) has opposed the government taxation measures including fixed Super Tax on businesses which would create more problems and double taxation, claiming that the tax burden is not evenly distributed across Pakistan and that many problems exist.

While briefing the Senate Standing Committee on Finance and Revenue, PBC Chairman Ehsan Malik said the default risk is too high at the moment, and increasing business taxes would imply that the government wants to keep businesses from earning more money. He suggested a standard 3 percent tax on the services sector which would help offset losses of entities operating in the field. PBC chairman said Pakistan lags behind Sri Lanka, India, and Bangladesh in tax revenue in the region and faces many problems due to restrictions and reduction of imports, lack of productivity, unemployment, and stalled exports. In response to rumors of additional taxes on financial assets, he stated that businesses already pay taxes on the capital they hold. Regarding reports of imposing a fixed tax on exporters, he argued that such a move would be unwarranted at this time because exports were already at a low level.

People face 10 hours load shedding as shortfall surges to 6598 MW

The Senate Committee deliberated on the various Pre-budget proposals put forward by different stakeholders. Ehsan Malik, CEO Pakistan Business Council, apprised that 100 of the most prominent business of the country are generating 40pc export, in addition to its 20pc share in GDP and approximately 56 pc tax have been collected from it. He suggested that an equitable tax regime should be initiated, besides providing ease of doing business and reducing the manufacturing cost. Representatives of Chamber of Commerce and Industries unanimously underscored the need of broadening the tax base of the country and demanded that super tax ranging from 1 to 10 pc on different affluent individuals and companies should be withdrawn. They also highlighted the need of revisiting the Pak-Afghan transit.

Moreover, Dr. Khurram Tariq, President Faisalabad Chamber of Commerce and Industries, maintained that the small business having turnover of around 150 million rupees should be exempted from computerized balloting audit for sales tax, and an audit of said businesses should be completed within six months instead of preceding for five years. He apprised that the measures will help the small business to flourish and eventually it will enhance their productive contributions.

Balochistan govt decides to remove all check posts on highways across province

However, Ahsan Zafar Bakhtawari, President Islamabad Chamber of Commerce and Industries, mentioned that the industries located in the erstwhile FATA are currently exempt from sales tax and the concession is putting steel industries, located in settled areas, at great disadvantage. He suggested that an equitable environment should be created by withdrawing the said exemption so that the industries of both sides could flourish at the same pace.

Discussing the pre-budget proposals, representatives of Karachi Chamber stated that 3pc value added tax which is being charged on raw materials at import stage is unjustifiable and it should be revisited. They also apprised that a major bulk of buyers in the country are unregistered and provision of CNIC on supplies to unregistered persons has become a major hurdle in business transactions. Above all, 3 pc further tax is being imposed on the registered supplier on the provision of buyer CNIC, they added. They suggested that 3pc further tax on the registered sellers is not based on rationale and it should be revoked.

Proposal to hike advance income tax on vehicles for non-filers

ISLAMABAD: The Pakistan Business Council (PBC) has proposed the Federal Board of Revenue (FBR) impose higher advance taxes on utility bills, real estate transactions, and luxury expenditures of non-filers.

The council has argued that the annual advance income tax amount should be increased to 250,000/per year for owners of vehicles of 2000cc and above who are non-filers.

It further added that on the purchase of cars, advance income tax is levied on non-filers [under section 231B] as tabulated below, which should be increased as suggested below:

Engine capacity	Existing tax	Proposed increased tax
1800cc - 2000cc	Rs 600,000	Rs 2,000,000
2001cc - 2500cc	Rs 900,000	Rs 2,500,000
2501cc - 3000cc	Rs 1,200,000	Rs 3,000,000
Above 3000cc	Rs1,500,000	Rs 4,000,000

Moreover, it suggested that advance income tax of Rs1,200,000 on the sale of vehicles [2001cc and above] by non-filers before registration [own money] should be increased to 2,400,000.

Advance tax at 7.5% is collected from domestic connections in the name of non-filers whose monthly bill is Rs25,000 or more.

Moreover, it suggested that withholding tax be imposed on withdrawals above Rs50,000 in a single day from the bank account of a non-filer.

Moreover, sources in the FBR told *Geo News* that the board has decided to increase the petroleum development levy from Rs50 to Rs60 after which it will be able to collect Rs870 billion. The government aims at increasing non-tax income to Rs2.9 trillion.

The sources said that with the aforementioned steps the government plans to increase the pensions by up to 30% for which it will need Rs780 billion.

REUTERS

JUNE 10, 202312:23 AM GMT+5

Expert and industry views on Pakistan's Federal budget for FY24

BY ARIBA SHAHID

KARACHI, Pakistan, June 9 (Reuters) - Pakistan presented its federal budget for the next fiscal year, one of three measures the International Monetary Fund (IMF) will gauge before releasing at least some of the $2.5 billion still pending under a lending programme expiring this month.

The cash-strapped country, with reserves to barely meet a month's worth of imports, is undertaking steps to secure a $1.1 billion loan, part of a $6.5 billion IMF bailout package, which has been delayed since November, with more than 100 days gone since the last staff-level mission to Pakistan, the longest such delay since at least 2008.

On Thursday, the resident representative for Pakistan told Reuters that Pakistan needs to restore the proper functioning of the FX market, pass a fiscal year 2024 budget consistent with programme objectives, and secure firm and credible financing commitments to close the $6 billion gap, adding that there was only time for one last IMF board review before the end of the current bailout package.

Pakistan is eyeing GDP growth of 3.5%, expecting inflation at 21%, and targeting a fiscal deficit of 6.54% of GDP for the 2023-24 fiscal year, slightly below the current year's revised estimate of 7%.

Experts have mixed reactions on whether the budget will meet IMF requirements and the impact on the economy.

COMMENTARY

EHSAN MALIK, CEO OF THE PAKISTAN BUSINESS COUNCIL

"It's a budget 'as usual' at times 'unusual'. It fails to take the opportunity of fundamental reforms by taxing the untaxed and under-taxed sectors - wholesale, retail and real estate. Nor is there a mention of steps to harvest data on non filers and NADRA to widen the tax base. Nothing on stemming under-invoicing. The 'No new Taxes on Industry' claim is belied by increase in super tax and that too in not a fully progressive way.

"Having said that there are a few good measures. The focus on agriculture, especially on seeds and mechanisation is good as is on promoting IT and IT-enabled exports. The reduction in minimum tax on listed companies is a step in the right direction. However the opportunity of encouraging consolidation and widening the shareholder base by removing double taxation of intercorporate taxes was missed.

"Business will derive confidence from the limited mention of steps taken to revive the IMF program especially also as there was no mention of how debts would be reprofiled.

"What will change? Will more than 3% of tax payers contribute 90% or more to direct taxation? Will retailers and the agri sectors that together contribute 40% contribute more than 2% as a result of the budget? No.

"The tax collection targets look unrealistic and the increase in government salaries and pensions will put pressure on the fiscal deficit. A mini budget is inevitable."

THE NATION

MAY 16, 2023

Pakistan needs effective management of resources to enhance exports

ISLAMABAD-Pakistan's export sector needs effective management of resources besides optimal utilisation of real-time research and data to enhance exports.

"Export policies and strategies should be based on real-time data, research, and information about the market and new trends to enable the export sector effectively use resources on valuable products," the Ministry of Commerce said in a report. The ministry said an analysis wing would be established to prepare precise and accurate data for evidence-based analysis and decision-making for the export sector. "The purpose of establishing the analysis wing is to create research collaboration between all the wings and attached departments of the Ministry of Commerce to encourage targeted and timely policy interventions," the report said.

The proposed analysis wing would also collaborate with the Ministry of Commerce and economic think tanks like the Pakistan Institute of Development Economics (PIDE), Sustainable Development Policy Institute (SDPI) and international institutions like the World Bank and European Commission. "The analysis wing will make sure access to real-time local and international data of commerce, trade and industrial sectors to enable the ministry and industries to take timely decisions," said the report. The wing would also report on the ongoing trade practices, market trends, region-wise demand for various products and market breakdowns. The export sector should also keep itself up-to-date and well-informed about modern business practices and market trends to focus on products which are in demand globally.

The report said the project will also enable the creation of a comprehensive evidence-based and data-driven strategies to increase market share in world trade. "Enhancing exports competitiveness through diversification of products and markets requires realistic policy actions based on empirical data and market analysis," it said. Efforts should be made to increase the supply of skilled workers by running skill development programmes, perhaps in collaboration with the private sector, the ministry said. Most of Pakistan's exports consist in textile products which account for 60% of the country's total merchandise. Pakistan should also focus on other products as well. According to Pakistan Business Council (PBC), the country also needs market diversification as around one-third of its total exports are concentrated in the US, China and the UK only. Pakistan has lots of potentials to enhance exports of sectors like engineering goods, agro-products, sports goods, meat and leather products. Pakistan's exports were recorded at $23.174 billion during the first 10 months (July-April) of the current fiscal year (2022-23) against $26.247 billion during the same period of the last fiscal year, with a decline of 11.71%.

DIGITAL Associated Press of Pakistan

SAT, 3 JUN 2023, 4:51 PM

Dar assures govt's support to business sector

ISLAMABAD, Jun 3 (APP): Finance Minister Senator Mohammad Ishaq Dar on Saturday said that the government would fully support the business sector by providing the fiscal year 2023–2024 budget that is both business- and people-friendly.

He said this while meeting with delegations from the Pakistan Business Council (PBC) and the Overseas Investors Chamber of Commerce and Industry (OICCI) to discuss the budgetary proposals for 2023–24, said a press release.

Minister of State for Finance and Revenue Dr Aisha Ghous Pasha, SAPM on Finance Tariq Bajwa, SAPM on Revenue Tariq Mehmood Pasha, Chairman RRMC Ashfaq Yousif Tola, Governor SBP, Chairman FBR, and senior officers from Finance Division and FBR attended the meeting.

The delegations from PBC and OICCI thanked the finance minister for inviting budgetary recommendations from the business community, including all the leading private-sector businesses and conglomerates and multinationals as well.

They presented particular financial solutions and recommendations to the finance minister to be taken into account in the upcoming Federal Budget.

They further assured FM Dar that the commerce sector would support the government to enhance the economic and commercial activities in Pakistan.

The finance minister highly valued the delegations' budgetary recommendations from both delegations.
He also appreciated the prominent role of PBC as an advocacy forum to improve the general business environment of the country.

Senator Dar also praised the role of OICCI in successfully promoting foreign investments in Pakistan, thereby playing a major role in the growth of economy in the country.

He also reaffirmed the government's willingness to address the issues being faced by the business community and investors, both within Pakistan or from abroad, to ensure the country's economic prosperity.

Both delegations expressed gratitude to the finance minister for taking their budgetary recommendations into account.

THE NATION

APRIL 22, 2023

Pakistani fashion e-commerce industry has enormous growth potential

ISLAMABAD-Pakistani fashion e-commerce industry has the potential to grow exponentially, but there are some challenges that need to be addressed.

A latest report published by Pakistan Business Council (PBC) highlighted that the main markets for Pakistani fashion using the e-commerce platform are the United States, United Kingdom, United Arab Emirates, Canada, Australia, Europe, and Gulf countries.

The report said that even though Saudi Arabia and UAE have the highest number of overseas Pakistanis, the sales of fashion products are mainly dependent on the purchasing power of the diaspora, currency conversion rate, and customs regulations of that country.

Data shows that in 2021, the global cross-border e-commerce trade was estimated to be about $784.6 billion and was expected to grow at a CAGR (compound annual growth rate) of 26.2% between 2022 and 2031, reaching $7.9 trillion by 2031. In 2022, global e-commerce sales were estimated at $5.5 trillion, accounting for about 19.7% of total global retail sales.

arab news
The Middle East's Leading English Language Daily

MAY 17, 2023 19:20

Food security is national security: Pakistan's looming crisis

DR. VAQAR AHMED

The Pakistan Business Council's latest report on the agricultural sector highlights three significant issues. Firstly, the increasing food inflation rate is causing food to become less accessible to low-income groups. Secondly, there is a risk that inadequate foreign exchange reserves may restrict the government's ability to import food promptly and address any deficits. Thirdly, while the population growth rate remains high, crop yields have stagnated.

Consider the example of wheat, where the yield growth has been stagnant in comparison to other countries, and despite the government's engagement in wheat procurement, there has been a lack of significant investment in areas such as wheat seed development, mechanization, storage and processing. As a result of the widening gap between the demand and supply of wheat, importing wheat has become a regular practice.

Although rice and maize receive comparatively less government assistance, both have shown promising results in terms of high-yielding hybrid seeds and mechanization. Nonetheless, in these crops as well, there are still issues with quantity and quality losses caused by obsolete practices, sub-optimal storage conditions, unfair market practices, and uncertain logistics.

What has led us to this point? Firstly, frequent policy reversals have resulted in an uncertain business environment, limiting investment and discouraging farmers from adopting new technologies and practices. Additionally, public investment in agriculture has not been efficient, leading to a lack of agro-specific infrastructure such as storage facilities and cold chains, thereby restricting the smooth movement of agricultural output and food within the country and making trade with the outside world difficult. The weak transport and storage infrastructure has also led to significant post-harvest losses and wastage. Due to falling and uncertain return to investment in agriculture sector, getting foreign direct investment is fast becoming difficult.

Despite support from communities, private sector, and development partners, most NPOs struggle to build farming capabilities across the country due to lack of formal permissions from the government.

Furthermore, public investment and direct government action have not been focused on reclaiming lost agricultural land or making the land, currently unsuitable for farming, conducive for cultivation. Climate change has also made agriculture vulnerable to extreme weather events such as floods, droughts, and heatwaves, which have a devastating impact on agricultural potential, as seen in floods sweeping away farmer output year-on-year. The water shortage due to the rapid depletion of groundwater resources has also adversely impacted crop yields and production.

Civil society and community-based non-profit organizations that stepped forward during the 1990s and 2000s to address this perilous situation have been pushed back. Despite support from communities, private sector, and development partners, most NPOs struggle to build farming capabilities across the country due to lack of formal permissions from the government.

Going forward, the solutions to food insecurity challenge require the government, private sector, civil society, and development partners to come together and have a longer term vision for food security. To develop a comprehensive and sustainable strategy, it's important to acknowledge that food security extends beyond simply providing an adequate supply of food. Rather, food security is multifaceted and can be broken down into four primary components. These include availability, which refers to the physical quantity and quality of food; access, which considers the social, economic, and political factors that affect a person's ability to obtain food; physical access, which refers to the geographic and logistical barriers that may prevent people from accessing food; utilization, which considers the ability of individuals and households to obtain and use food in a way that meets their nutritional needs; and stability, which encompasses protection against sudden shocks such as natural disasters or conflicts, as well as the stability of markets, institutions, and policies that impact food production and consumption. By considering all of these facets, a long-term vision for food security can be developed that addresses the root causes of food insecurity and supports sustainable and equitable access to food.

Food security is also a national security challenge. Past experiences have shown that sudden spikes in food prices or food shortages can lead to social unrest and create tensions between provinces. In such circumstances, smaller provinces often accuse larger provinces of withholding supplies, while the larger provinces and the federal government may point fingers at smaller provinces for smuggling or exporting agricultural goods beyond Pakistan's borders. This cycle of blame must come to an end. Since the 18th amendment, provinces have taken on greater responsibilities in the field of agriculture. However, the federal government cannot relinquish its duties regarding policy coordination and national-level planning.

— Dr. Vaqar Ahmed is an economist and former civil servant.

INTERNATIONAL THE NEWS

MAY 10, 2023

PBC, FBR discuss budget

BY NEWS DESK

KARACHI: A Pakistan Business Council (PBC) delegation met Tariq Pasha, SAPM Revenue, Ashfaq Tola, Minister of State for Revenue and Chairman of the Reforms and Resource Mobilisation Committee and FBR members IR Policy and Customs to discuss the budget proposals for 2023-24, a statement said on Tuesday.

During the meeting, the key recommendations included treating payment of inter-corporate dividends as a non-taxable event, restoration of group loss relief to promote consolidation, scale and competitiveness, and create parity in taxation of gains on disposal for shares in non-listed and private and companies with gains on sale of real estate.

PBC also recommended to allow off set of any tax due with assessed refunds, extend the period available for offset of minimum tax against future profits for a period of five years, reduce incidence of withholding taxes and advance taxes on the formal sector, whilst increasing the same on non-filters dealing in property and on their utility bills.

It was pointed out that there was a potential of raising tax revenue from wholesale, retail, and real estate of Rs747 billion, stem loss of Rs488 billion loss of revenue from under invoicing of imports from just four countries, raise property taxes of Rs400 billion, and agriculture taxes by Rs375 billion.

On under invoicing, PBC urged the sharing of import data to provide a challenges to valuations, agree to electronic data interchange with key trading partners, allow manufacturers a seat on the committee setting ITP values, and obtain verification of valuation data by brand owners on import of their brands by others.

THE EXPRESS TRIBUNE

JUNE 25, 2023

SBP lifts import ban amid IMF pressures

Businesspeople predict restrictions will remain in place due to low forex

SALMAN SIDDIQUI

KARACHI: In a bid to satisfy the International Monetary Fund (IMF), the Pakistani government has announced the immediate lifting of import restrictions. However, both the business community and analysts believe that this move alone will not bring significant changes to practical business activities unless foreign exchange reserves are significantly bolstered.

The State Bank of Pakistan (SBP) issued a notification on Friday, stating that previous instructions to commercial banks regarding priority-based selective imports have been withdrawn, effectively reopening imports in their entirety with immediate effect. Finance Minister Ishaq Dar further reinforced this decision during a parliamentary session, stating, "There will be no restrictions on imports. All conditions are removed."

While some perceive this as the government fulfilling certain IMF conditions to buy time and maintain its position, Pakistan Business Council (PBC) CEO Ehsan Malik told The Express Tribune that not all conditions have been met. He linked his statement with the one given by Dar during the day in which he said, "it would be good if staff-level agreement is signed with the IMF. Otherwise, life is moving on."

Dar's statement suggests that things are not moving as per the government's desires, however, hopes still remain alive regarding the revival of the programme before it officially expires on June 30, 2023.

According to Malik, the government's partial compliance with IMF conditions is aimed at presenting an image of resilience. "It suggests that the government's head is still above water and that it has not yet sunk," he remarked.

Ismail Iqbal Securities, Head of Research, Fahad Rauf predicts potential volatility in the exchange rate if the government follows through with its decision to fully reopen imports. With foreign exchange reserves currently at a critically low level of less than one-month import cover, around $3.5 billion, he anticipates a potential exchange rate of Rs300-350/$, compared to the current rate of Rs286-287/$.

However, Rauf believes that import restrictions will likely remain in place due to the need to manage low foreign exchange reserves and mitigate the risk of defaulting on foreign debt repayments. Despite this, he remains hopeful that the rupee-dollar exchange rate and the Pakistan Stock Exchange (PSX) will experience improvements as optimism builds regarding the resumption of the IMF programme in the coming days.

Rauf also noted that priority-based imports will continue until foreign currency inflows boost reserves. Energy imports will retain top priority, followed by food and pharmaceutical imports, exports-oriented imports, machinery imports for projects with 75% completion, and imports on one-year deferred payment, respectively.

Experts have highlighted the negative impact of import restrictions on car assembly plants, cement and steel factories, and other industries reliant on imported raw materials. With inflation levels reaching approximately 38% and interest rates soaring to 21%, business activities are expected to remain compromised in the short term.

The PBC CEO underscored that while the central bank publicly announced the reopening of all imports, the unchanged limit on foreign exchange availability for each bank implies that imports will still be regulated, keeping business activities subdued, going forward. He emphasised that Pakistan cannot miraculously boost foreign exchange reserves overnight without the revival of the IMF programme and cautioned against overly optimistic expectations.

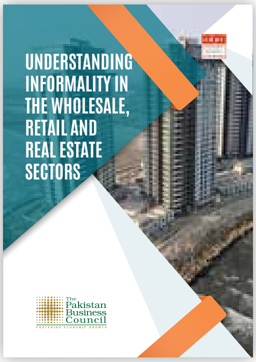
"No, the government cannot simply reopen imports under the current circumstances," he said.

Regarding the possibility of pro-IMF decisions being made by the government in preparation for negotiating the next IMF programme after the upcoming general elections, Malik expressed uncertainty. He highlighted that the fate of the elections, as well as the actions of the caretaker government and the subsequent administration, remains unclear.

With the official expiration of the IMF programme just a week away, the future remains uncertain. Business activities are expected to continue being hampered, and the rupee-dollar exchange rate is projected to remain steady in the short term.

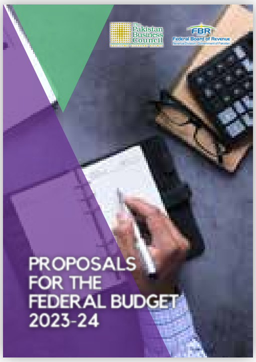
Publications During the Quarter

During the Quarter Four (4) publications were released by the PBC. This brings the total number of publications in the current year to Ten (10)



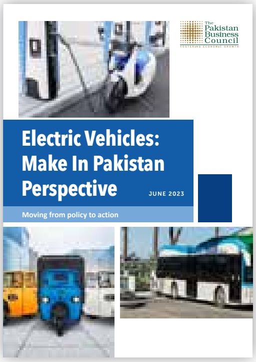
Understanding Informality in the Wholesale, Retail and Real Estate Sectors

https://www.pbc.org.pk/research/understanding-informality-in-the-wholesale-retail-and-real-estate-sectors/



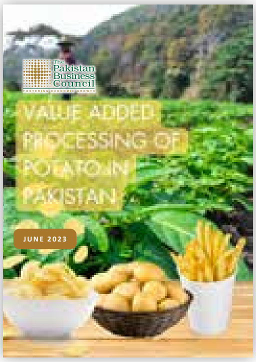
PBC Proposals for the Federal Budget 2023 – 24

https://www.pbc.org.pk/wp-content/uploads/PBC-Proposals-for-the-Federal-Budget-2023.pdf



Electric Vehicles – Make in Pakistan Perspective

https://www.pbc.org.pk/research/electric-vehicles-make-in-pakistan-perspective/



Value Added Processing of Potato in Pakistan

https://www.pbc.org.pk/research/value-added-processing-of-potato-in-pakistan/

Twitter Highlights

PBC

49	658,800	827
TWEETS	IMPRESSIONS	NEW FOLLOWERS

12,004	396,000 Impressions
TOTAL FOLLOWERS	TOP TWEET IMPRESSIONS

Centre of Excellence in Responsible Business

Key Activities April to June 2023

Awareness

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

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.

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, CERB highlights how practitioner companies can enable conditions which stimulate the economy while providing livelihood opportunities in a manner which is inclusive and uses resources sustainably.

In addition, CERB 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 has new resources on the website. Click here to access the publications, check past and upcoming events, browse through recorded webinars, and more.

This quarter's advocacy events included:

Panel Discussion on "Business Case for Sustainability: Insights from the Private Sector", IBA

The Institute of Business Administration (IBA) hosted their 2nd International Conference, inviting the PBC's CEO, Ehsan Malik, to host a conversation with the private sector on corporate sustainability in Pakistan. The insightful discussion included business leaders Muhammad Aurangzeb (President and CEO, HBL and Chairman of the PBC), Amir Paracha (Chairman and CEO, Unilever Pakistan), and Faryal Sadiq (VP for Sales and Marketing, Interloop Limited) and Nazish Shekha, Head of CERB, to discuss the progress of the country's business community on sustainability along with current practices, challenges, and areas of focus.

PBC – UNICEF Roundtable Discussion on Childcare Solutions to Promote Family Friendly Workplaces:

CERB facilitated a roundtable with representatives from Soorty Enterprises, Faysal Bank, Bank Alfalah, Artistic Milliners, Gul Ahmed Textile Mills, National Foods, and JS Bank, along with managers from Happy Home School, the AMI School, the Citizens Foundation and Dawood Public School. The roundtable participants discussed how companies could work with schools in the private and nonprofit sectors to provide safe yet cost-effective models of afterschool care for employees. To initiate the discussion, CERB moderated a panel as part of the event with Vice-Chair Sabrina Dawood of the Dawood Foundation; Faiza Savul, HR Director at K-Electric; and Dr. Saba Shuja, ECD Manager at UNICEF.

Public-Private Dialogue for Review of Commerce Policy – Sindh

CERB was recently invited by the International Trade Center (ITC) to partake in the 'Public-Private Dialogue for Review of Commerce Policy – Sindh' as part of the Growth for Rural Advancement and Sustainable Progress Project (GRASP) in collaboration with the International Trade Centre (ITC), funded by the European Union. The main objective of this dialogue was to gain pertinent feedback from individuals from diverse platforms for a more holistic approach to their strategies and policies. CERB has been engaged in developing the Inclusive and Responsible Business section of Sindh's SME Strategy 2023.

Awareness Raising Session on ESG

CERB represented the PBC in a panel discussion in an awareness raising session jointly held by ICAP and SECP on Sustainability Disclosures and Reporting in Lahore in May 2023.

BoE Policy Forum on Gender & Finance

CERB has been nominated by the PBC to represent its views in the Banking on Equity Policy Forum on Gender and Finance. Two meetings have been held in the discussion.

Identifying Good Practices

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

Webinar on Empowering Women and Transforming Communities

CERB, K-Electric, the British Asian Trust, and FrieslandCampina held an informative webinar on the importance of incorporating women within a company's supply chain.

Workshop with CERB x Unilever – "Closing the Gap: Reducing Inequalities in the Value Chain"

CERB organized a workshop in the beginning of June in collaboration with Unilever Pakistan, entitled "Closing the Gap: Reducing Inequalities in the Value Chain". As part of the SDG Leadership Programme, the workshop addressed SDG 10: "Reducing Inequalities" through fair wages in the formal sector. Unilever presented a case study on strategies that enabled it to meet the standard of fair wages in different cities across the country. Panelists Asma Ahmad (National Foods), Sarah Beg (HBL), Aadil Riaz (Pakistan Cables) and Shamsher Farooq (Unilever Pakistan) represented the perspective of senior management from different organizations that employed a large workforce, operating across multiple offices and branches.

IFC-PBC Climate 2 Equal Project

IFC-PBC 2nd Climate2Equal Workshop

The PBC, in collaboration with the International Finance Corporation (IFC), organized a second workshop, 'From Action Plan to Implementation; How to Measure Progress' under the Climate2Equal initiative. This workshop aimed to help participants recognize credible sources of data and indicators for measuring their progress on climate action. Facilitated by Franziska Deininger (Gender and Climate Global Technical Lead, IFC), the participants shared samples of indicators that represented the overlap between gender justice and climate action. Yasir Khan (TPL Corp) presented the current challenges his company was facing with regard to increasing women's representation. Other participants represented organizations such as K-Electric, FrieslandCampina, Artistic Garment Industries (AGI Denim), Artistic Milliners, Bank Al-Falah, The Dawood Foundation, TPL Corp Ltd, and doctHERs.

As part of the IFC-PBC Climate 2 Equal Project, IFC and PBC conducted a workshop to support Fatima Fertilizers to help connect the links between gender representation in business and climate action, as part of the support to companies in the call-to-action pledge.

CERB partnered with Packages Limited in the launch of their internal commitment on its pledge in the IFC-PBC Climate2Equal project at their premises in Lahore. The discussion was based on the impact of climate change on women, and how employers can play a role on reducing these impacts through inclusive decision making.

In Progress

CERB's flagship SDG Leadership Programme, allows PBC member companies to come forward as champions of the SDGs. At present the following SDG Leaders are providing support to CERB's capacity building:

Dalda Foods and English Biscuits Manufacturers, SDG 3 'Good Health and Well-Being'

Engro Corporation, SDG 4 'Quality Education for all'

KE and MG Apparel - SDG 5 'Gender Equality'

Coca-Cola Pakistan, SDG 6 'Clean Water and Sanitation'

International Industries Limited, SDG 7 'Affordable and Clean Energy'

Indus Motor Company, SDG 8 'Decent Work and Economic Growth'

Soorty Enterprises, SDG 9 'Industry, Innovation and Infrastructure'

HBL and Unilever Pakistan, SDG 10, Reducing Inequalities

Interloop Limited, SDG 12 'Responsible Consumption and Production'

Sapphire Textiles and Packages Limited, SDG 13 'Climate Action'

Pakistan's first ESG database - CERB's Sustainability Directory will be ready to be publicly launched in August 2023. Details on the directory will be available soon. It will be launched at the 2nd IFC-PBC Employer of Choice for Gender Diversity Awards which will be held in August 8 2023.

CERB On Social Media

Instagram

In March 2023, CERB launched their Instagram and have grown their following organically. Follow us on **@cerb_pbc** for updates on our workshops, events and insights!

Twitter

50 TWEETS	50,150 IMPRESSIONS	46 NEW FOLLOWERS

644 TOTAL FOLLOWERS	583 Impressions TOP TWEET IMPRESSIONS

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

Ismail Industries Limited	Jazz	JS BANK	Jubilee General Insurance
K&N's	KE	KHAADI	KSB
LIBERTY	LIPTON Teas and Infusions	LOTTE	LUCKY CEMENT
MACPAC FILMS	MAHMOOD GROUP	Martin Dow	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
pakarab fertilizers limited	PEPSICO	PM	PSL PAKISTAN SERVICES LTD.
PSX PAKISTAN STOCK EXCHANGE LIMITED	ptcl		reckitt
SAIF GROUP	Sapphire	Servis	Shan
SICPA	SIEMENS	Soneri Bank	SOORTY
SPEL Synthetic Products Enterprises Limited	Standard Chartered	systems	TAPAL
TATA PAKISTAN	TCS WE MOVE YOU	Tetra Pak PROTECTS WHAT'S GOOD	TG
TOYOTA	TPL	TTE	Tufail
UBL where you come first	Unilever		

The PBC Affiliates

HINUCON Private Limited

International Steels Limited
Shaping Tomorrow

LMC Lucky Motor Corporation

Pakistan Cables

LCI
LUCKY CORE INDUSTRIES

The PBC Members and its Affiliates by Sector

PBC currently has 98 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	3
Engineering	13
Fast Moving Consumer Goods	19
Packaging Material	3
Pharmaceuticals and Healthcare	7
Sports Gear	1
Textiles	13
Total Members in Large-Scale Manufacturing	**74**
Services	
E-Commerce	1
Financial service	12
Hospitality	1
Insurance	2
Logistics / Courier	2
Real Estate Developers	1
Software	2
Telecommunication	2
Utilities	1
Total Members in the Services Sector	**24**
Conglomerates	**5**

32 MNC's from 14 Countries

USA

UK

UAE

Switzerland

Japan

Netherlands

France

Bahrain

South Korea

Hong Kong

Germany

China

Sweden

Turkey

The Pakistan Business Council

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