

**ADB allowed to launch PKR-linked bonds**

ISLAMABAD: The Economic Coordination Committee (ECC) of the Cabinet on Wednesday allowed the Asian Development Bank (ADB) to launch offshore Pakistan Rupee (PKR)-linked bonds of up to \$200 million to non-residents based on conducive market conditions.

The ECC meeting chaired by the Adviser to the Prime Minister on Finance and Revenue, Dr Abdul Hafeez Shaikh, approved a proposal by the Finance Division to allow the ADB to launch offshore Pakistan Rupee (PKR)-linked bonds.

According to the recommendation of the State Bank of Pakistan, the programme will be restricted to a maximum of \$200 million.

The local currency proceeds of the bonds will be used for financing long-term infrastructure and energy projects in Pakistan.

A formal permission letter will be issued to the ADB after the ECC decision.

The ADB yields can be in the range of -0.50 per cent to -2.00 per cent below the yield curve of domestic Pakistan government bonds.

The ECC in its meeting held on July 15, 2020 granted, in principle, its approval to the summary moved by the Finance Division for allowing the ADB to launch offshore Pakistan Rupee (PKR)-linked bonds for non-resident investors with the directions to; (i) follow terms and conditions as suggested by the State Bank of Pakistan for the proposed PKR-linked bond programme, and (ii) resubmit the case to the ECC for consideration, before the launch of the proposed programme.

The ECC has also given go-ahead in principle, to the payment of all liabilities and responsibilities resulting from a debt of \$105 million secured by the Pakistan International Airlines Corporation Limited (PIACL)-owned Roosevelt Hotel in Manhattan, New York.

The ECC asked the Finance Division to engage with the Law Division, the Aviation Division, and the Planning Commission to formalise the mode of payment/refinancing as per schedule of the loan contracted by the Roosevelt Hotel to meet its financial challenges, and submit to the ECC in its next meeting for formal approval.

The Roosevelt Hotel has experienced extreme cash flow constraints since March 2020.

According to the chairman PIA-IL even partial operations of the hotel are not sustainable at the moment. Roosevelt Hotel Corporation has already obtained a loan of \$105 million from JP Morgan (lender) on an interest rate of 5.05 per cent with maturity in April, 2021. The annual interest payment is \$6 million approximately; (iii) JP Morgan has sold its loan of \$68.250 million to the MSD PCOF Partners XXII, LLC(MSD); (iv) selling of JP Morgan portion of loan to

the MSD has further complicated the situation for Roosevelt Hotel Corporation due to the following reasons; (a) for several years MSD has been expressing its desire for a JV partner in development of Roosevelt site; (b) MSD as lender, may attempt to leverage its position in achieving its ultimate goal and; (b) MSD is also owner of the air rights in Roosevelt vicinity.

In view of the existing position, the PIA-IL management is of the opinion that the MSD has acquired the major portion of Roosevelt loan (by design) in order to become the sole lender, and in case of possible default, it could quickly step in and seek a foreclosure. The current position was considered by the Roosevelt Hotel Corporation Board in its meeting held on July 3, 2020, and the Board decided that GoP be apprised of the facts and Board's recommendations be forwarded to GoP for consideration; (i) Roosevelt's operations be shut down; (ii) all union and non-union employees be severed against the severance payment of approximately \$20 million; (iii) the current debt of \$105 million secured against a mortgage on the property, and the counter guarantee by the PIA-IL, be paid forthwith; (iv) the debt of \$105 million and the cost of severance, if any, are Roosevelt's liabilities/responsibilities, which need to be paid/refinanced irrespective of whether the hotel is closed or operational.

The ECC also took up and approved a proposal by the Cabinet Division for re-allocation through technical supplementary grant of lapsed funds of Rs8.01 billion under sustainable development goals achievement programme (SAP) to respective ministries and divisions.

The ECC also discussed and approved amendments to the Import Policy Order 2016 to streamline international trade in live animals and their meat products in accordance with the international rules and practices.

The Ministry of National Food Security and Research had proposed amendments in paragraph 5A (iii) 5A (iv) of the Import policy Order, 2016, so that international trade in live animals and their meat products may be streamlined in accordance with the international rules and practices. The ECC also approved a revision in key terms of Prime Minister's Kamyab Jawan Youth Entrepreneurship Scheme for making the scheme accessible to all Pakistani citizens meeting the laid-down criteria.

The ECC also okayed a proposal by the Ministry of Inter-Provincial Coordination for grant of exemption from payment of annual renewal fee of licences issued to travel and tourism-related business.

The financial impact of the one-year fee exemption comes to approximately Rs17 million.

The ECC also took up the rescheduling/restructuring of financing facilities and deferment in repayment of principal loan amount by one year upon a written request of the borrowers received before 30th June 2020 to mitigate the effects of the Covid-19, and extended the same facility to borrowers under the Prime Minister's Youth Business Loan Scheme (PMYBL) and Prime Minister's Kamyab Jawan Youth Entrepreneurship Scheme upon written requests received before 30th September 2020, provided the borrowers would continue to service the mark-up amount as per the agreed terms and conditions of the relevant scheme.

The ECC also approved a proposal for additional funds equal to \$3 million for contribution towards the SAARC Covid-19 Emergency Fund announced during the video conference of the SAARC leaders in March 2020.

The ECC was told that similar contributions from other member countries had also been announced.

The ECC also discussed and approved a supplementary grant of Rs540 billion having remained unutilised due to procedural conditions under the Covid-19 relief measures announced in the fiscal year 2020-2021.

The ECC also considered a proposal by the Revenue Division for arrangement of Rs40 billion for payment of Income Tax refunds of up to Rs50 million pending since 2013.

The ECC approved the proposal, and asked the Finance Division to arrange the required funds.

The chair also asked the FBR to apprise the ECC of current status of pending refunds with the observation that payment of refunds to the taxpayers was the topmost priority of the government, and the taxpayers had already been given Rs250 billion tax refunds in the outgoing financial year, which was more than double the amount of refunds paid to taxpayers in the previous year.

Karachi staff reporter adds:: Economic Coordination Committee (ECC) has given approval for paying off US\$105 million debt on Roosevelt Hotel owned by Pakistan International Airlines (PIA).

This was confirmed by PIA spokesman Abdullah Khan. He said that the decision was taken after the Minister for Aviation satisfied the ECC and termed it as positive decision to get PIA's New York-based Hotel Roosevelt out of debt.

PIA spokesman further said that the Roosevelt Hotel, like many other well-known hotels in New York, was under severe financial pressure due to covid-19 and over 80 hotels in New York had so far closed its businesses due to pandemic.

Therefore, more money is needed to run the Roosevelt hotel and for the purpose, it was planned to go for more borrowing, he maintained.

In view of the significance of this national asset, the Minister of Aviation has presented a plan to pay off whole debt on Roosevelt hotel itself and get PIA's New York-based asset out of debt, he said and added that now the ECC had given approval for paying off US\$105 million debt on Roosevelt Hotel owned by PIA.

Furthermore, he said that after the said decision, Pakistan's important international asset would be debt free and now government would pay US\$ 105 million loan on Roosevelt Hotel and added that the decision was made due to the personal interest of the Finance Advisor.