

**Following story “SBP refuses to open Afghanistan Relief Fund” published by Express Tribune on January 15, 2022.**



Shahbaz Rana, Published January 15, 2022

The State Bank of Pakistan (SBP) has refused to open the Afghanistan Relief Fund and requested the federal government to review its decision, expressing the fear that the Financial Action Task Force (FATF) might impose sanctions against Islamabad.

The central bank has returned the government's request to open the relief fund with the advice that the decision might be reviewed in light of Pakistan's commitments under international covenants and the FATF action plan, highly-placed government sources told The Express Tribune. The federal government had decided to open the bank account to receive cash donations from Pakistan and abroad to help Afghan people meet their immediate humanitarian needs.

Subsequently, on December 8, the Finance Ministry issued instructions to the SBP to “open with immediate effect” the Afghanistan Relief Fund to provide humanitarian assistance to Afghanistan.

The federal government had requested the SBP governor that he should issue necessary instructions to the scheduled banks to open the account. But so far, the account remains non-operational.

At the request of the SBP, the issue of opening the Afghanistan Relief Fund is being examined to ensure that Pakistan fully complied with its international commitments, Finance Secretary Hamid Yaqoob Sheikh the told The Express Tribune.

The Finance Ministry has referred the SBP's observations to the Economic Affairs Ministry, the Law Ministry and the Foreign Office with direction to review the matter and place it before the federal cabinet.

The ministry had also held a meeting this week all stakeholders, including the SBP to find a way out. The SBP chief spokesperson's response was awaited till the filing of the story.

The central bank's observations have raised questions over the authority of the federal government. It may also throw a challenge to the Foreign Office that is trying to secure commitments from the international community to avoid catastrophe in Afghanistan.

Afghanistan's banking system remains crippled after the takeover of Kabul by the Taliban in August last year, creating serious issues for the common men and the Taliban government.

“Unless action is taken immediately, Afghanistan is heading for chaos,” Prime Minister Imran Khan had said last month, while addressing the meeting of foreign ministers from the Organization of Islamic Cooperation (OIC).

The prime minister had also told the OIC gathering that “any government when it cannot pay its salaries for its public servants, hospitals, doctors, nurses, any government is going to collapse but chaos suits no one, it certainly does not suit the United States.”

The central bank's reluctance to open the bank account may also raise questions over the federal government and the SBP relations, particularly after the passage of SBP Amendment Bill 2021 by the National Assembly on Thursday night.

The bill has yet to be endorsed by the Senate before the President of Pakistan gives his ascent to it.

The Section 46 B (4) of the approved SBP bills says, "The Bank, the members of its decision-making bodies and its staff shall neither request, nor take any instructions from any other person or entity, including Government or quasi-government entities. The autonomy of the Bank shall be respected at all times and no person or entity shall seek to influence the members of the Board, Executive Committee, Monetary Policy Committee, or the staff of the Bank in the performance of their functions".

Before approval of the bill, the Prime Minister's Office had raised objections over this section but these were ignored.

The Finance Ministry had directed that all proceeds on account of relief activities and payment into the fund will be received at all branches of the SBP, all treasuries and branches of National Bank of Pakistan and all other scheduled banks. But the account still remains inactive.

A Finance Ministry official said that the government might review its decision to open the account after the OIC also pledged to set up a humanitarian trust fund for Afghanistan. The OIC resolution released after the meeting stated the Islamic Development Bank (IDB) would lead the effort to free up assistance by the first quarter of 2022.

Pakistan remains on the FATF grey list since June 2018 and at its last October plenary meeting, the global body had unanimously decided to keep Islamabad on its grey list.

The FATF had said that Islamabad still did not meet the "strategically important" condition about nominating entities and individuals, who should be put on the UN list of terror outfits and persons.

Of the 27 action points agreed under the June 2018 action plan, e26 had been implemented but the remaining condition of the June 2018 plan is the most crucial one, which was also the reason to keep the country on the FATF watch list.

In response to additional deficiencies later identified in Pakistan's 2019 APG Mutual Evaluation Report (MER), in June 2021, Pakistan provided further high-level commitment to address these strategic deficiencies pursuant to a new action plan that primarily focuses on combating money laundering, it added.

The FATF plenary is again going to review the country's case next month.

**Following clarification/rebuttal was issued to Express Tribune in response to the story published on January 15, 2022 titled "SBP refuses to open Afghanistan Relief Fund".**

"Apropos to the story 'SBP refuses to open Afghanistan Relief Fund' by Shahbaz Rana published on 15<sup>th</sup> January, 2022, SBP would like to clarify the factual position on the point that SBP has refused to open the Afghanistan Relief Fund. The reporting in the story is factually incorrect and misleading. Reference to the SBP Amendment Act, which is currently under approval process in the Parliament, is also unwarranted.

The fact of the matter is that SBP has not refused to open the Afghan Relief Fund account, it has rather requested Finance Division to examine the implications of international sanctions in consultation with Ministry of Foreign Affairs before such an account is opened and operationalized. Further, Finance Division has been requested to see if the disbursement from the proposed Fund account may either be made through international organization of repute or through in-kind assistance as transfer of funds through banking channels to Afghanistan could be challenging. The SBP has also requested Finance Division to reconsider the need for opening of Fund accounts with Pakistani banks abroad. The opening of Fund accounts at overseas branches would require necessary authorization from the regulatory bodies of host countries, which is usually a time consuming and cumbersome process. The Finance Division based on the SBP requests is considering necessary changes in the notification in consultation with MOFA and Law Division.”