

**Borrowing for PSEs shoots up by 81pc**

KARACHI: Despite being overburdened with huge external and domestic debts, the government during the first nine months of the current fiscal year borrowed Rs303 billion for public sector entities (PSEs) up by 81 per cent from the R167bn borrowed for the same purpose during the same period last year.

The figures released by the State Bank of Pakistan (SBP) on Saturday showed the government's borrowing in the first nine months of the ongoing fiscal year has crossed the cumulative borrowings of Rs245bn in the last fiscal year.

Finance Minister Asad Umar had earlier remarked that the government had no other option but to borrow to make interest payments. However, the government's policy to privatise lossmaking PSEs has failed to materialise. In addition to this, the government is already facing a revenue shortage amid declining economic growth rate.

The incumbent government had also promised to revive the Pakistan Steel Mills a loss-making entity but so far, it has not taken any decision, other than notifying a holding company by the name of Sarmaya Pakistan to club the ownership of all public enterprises under. The idea behind the holding company is to separate the state owned enterprises from their line ministries and end all political interference in their operations. It is the government's main idea for controlling the growing claim on public funds that these companies generate year after year, and is part of the ruling party's election manifesto.

The ruling party believes that the problems of the state owned enterprises can be resolved without necessarily privatising them. Improving governance is the key plank in their approach to these entities, and that begins with first separating them from political interference, followed by appointing professional management and board to oversee their operations.

However, since the announcement of their plan, they have appointed serving air force officers to the board as well as senior management positions at PIA, one of the leading loss making state owned entities. This March the new board and management were supposed to submit a 'turnaround' plan for the airline.

In addition to this, the finance minister has also pointed towards distortions in power pricing as one of the principal reasons why the power sector, among the largest of the state owned enterprises, runs persistently in loss. He has vowed to correct this, but in the latest medium term strategy released by the government, the only operative vision on power pricing is to implement the full cost recovery formula, which means passing the cost of losses and theft onto paying consumers through their bills.

Despite the rising budget deficit, low revenue collections, falling economic growth rate and shrinking avenues for generating more revenues, the government has failed to stem the bleeding of these PSEs as the Pakistan International Airlines, Pakistan Railway and Water and Power Development Authority continue to incur losses worth hundreds of billions every year.

Our Staff Reporter

