

Energy evaluation

The Asian Development Bank has issued an evaluation of its support to Pakistan's energy sector. The report is an indictment of Pakistan's failure to push through reforms in the power sector, which taken independently could cause serious problems for the country's ability to seek more support to solve the many issues in its power sector. While there can be other ways out of the power crisis, the Pakistan government has for the last three decades chosen a path to reforming the power sector that is based on empowering the private sector and preparing for privatising all components of the power sector. For some analysts, the failure was built into the strategy itself. However, for the ADB, which has been a key financier of the kind of power sector reforms that the government has declared its intention to pursue, the failure lies in incomplete and timid reform. The ADB seems to think that only shock therapy could work for Pakistan's power sector. The merits and demerits of that argument aside, a serious question to ask is: if the state has decided to go down this path, why has it not shied away from undertaking the changes fully?

The answer has never been satisfactorily provided to the public as crippling loadshedding, a mammoth circular debt and spiralling electricity prices have become our fate in the last three decades. The situation has only worsened in the last decade as the issue of circular debt has consumed the power sector. Perhaps there is something the government can say in response to the ADB report. It should not only be foreign donors that make an assessment of how Pakistan has performed; Pakistan should also undertake periodic assessments of the value of external structural reform programmes. Any strategy to tackle issues of generation, transmission, debt and theft in the power sector will need to come from within. The trouble is that Pakistan has not attempted to develop a home-grown power sector reform strategy that the state itself is committed to. However, some of the questions asked by the ADB are important to keep in mind. Will increasing generation capacity not increase circular debt? Will the government not need to keep financing the debt through the Power Holding Company if structural reforms are not undertaken?

With the current circular debt now equal to three percent of the GDP, there is little doubt in the fact that the power sector's troubles are crippling the entire economy. The ADB is understandably angry at a number of ADB programmes being cancelled unilaterally by the Pakistan government, but the government has a right to decide what the value of such programmes is for Pakistan. The bigger issue is that there is no domestic power-sector reform framework to compare international support with. This has meant that Pakistan has piled on external debt in the name of power-sector reform that is not part of any holistic strategy. Short-term planning is a serious issue, one which has aggravated the problems in the power sector. This will need to stop — whatever the government's take on the critical ADB report may be.

Editorial