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ECC takes up power sector debt restructuring today

ISLAMABAD: The Economic Coordination Commi-t-tee (ECC) of the Cabinet will meet on Wednesday (today) to consider a heavy agenda including more than Rs1.1 trillion worth of restructuring of the power sector debt.

To be presided over by Finance Adviser Dr Abdul Hafeez Shaikh, the ECC is also expected to set an intervention price for cotton crop 2020-21, take stock of wheat procurement by the public sector and a couple of fresh funding allocations to the country's premier intelligence agency in the aftermath of recent visit of Prime Minister Imran Khan to its headquarters.

A total of 15 subjects are expected for discussion.

On top of the agenda are two special allocations for major upgradation of special telecom monitoring project and construction of an education school for the premier agency. This is followed by three technical supplementary grants of about Rs330 million for controller general of accounts, poverty alleviation and social division and assistance package to the family of a deceased government servant.

The meeting will also take up additional budget estimates for metropolitan corporation Islamabad for second half of the fiscal year, an incentive package for electric vehicle policy and extension in free period to port users and trade due to Covid-19.

The ECC will consider a request of the maritime affairs ministry for vacation of land for construction of Eastbay Expressway, Gwadar Port currently in possession of Pakistan Coast Guards.

The most crucial topics are three issues of the Power Division, including conversion of more than Rs800bn Power Holding Company's debt to public debt in 2-3 years under requirement of the International Monetary Fund Programme.

The meeting will set criteria for disbursement of Rs100bn and Rs200bn Syndicated Term Finance Facility (STFF) and Islamic Sukuk respectively in the light of power sector audit report.

In addition, it will also consider issuance of sovereign guarantee by the Ministry of Finance for a fresh STFF of Rs41bn through Power Holding Limited (PHL) to set off/adjustment of existing PHL finance facility of Rs41bn executed pursuant to the decision of ECC of June 7, 2017.

The government is required under its commitment with multilateral lending agencies, particularly the IMF and Asian Development Bank, to shift about Rs800bn power sector's circular debt parked in PHL to the country's public debt for transparent denomination of Pakistan's total public debt and liabilities in three years.

The sector's total circular debt is now estimated to have crossed Rs2tr although the Power Division and the concerned regulator are still divided over the exact amount.

There is, however, full agreement that debt stock parked in PHL is around Rs807bn while the two agencies disagree on the fresh flow of this debt.

Shaikh has committed in writing with lenders that the government would implement a plan with their assistance a plan to restructure the sector. However, it is currently in limbo as power sector's recoveries went from bad to worse after Covid-19 outbreak.

The cost of deferment of fuel price adjustment was estimated at Rs61bn until May while delay in recovery of quarterly tariff adjustments would cost Rs77bn. About Rs60bn would be paid to fuel suppliers and banks for retirement of debt.