

### **Terms for revival of IMF programme: Government to hike power tariff by Rs3.30 to plug circular debt**

ISLAMABAD: The government has projected that the circular debt will mount up to Rs2,805 billion till end June 2021, putting the bleeding power sector into a severe cash constraint situation, The News has learnt.

The Ministry of Power made the projections on the basis of status quo approach as the government had not taken any action to rectify the situation.

Top official sources said that the government is all set to increase the power tariff by hiking Rs1.90 per unit to revive the stalled IMF program under the \$6 billion Extended Fund Facility (EFF). The government had agreed in principle to hike electricity tariff by Rs3.30 per unit in phases and in the first phase, it is going to announce power tariff to the tune of Rs1.90 per unit within the next few days.

The multilateral creditors, including the IMF, World Bank and Asian Development Bank, always gave the prescription of hiking power tariffs to fix the problem.

The PTI led government had already hiked tariff several times but that did not help fix the rising problem of the power sector. Official documents available with The News revealed that the circular debt was persistently on the rising trends and it might escalate to Rs 2,805 billion till end June 2020-21.

The circular debt had climbed to Rs2,150 billion during the last financial year 2019-20 indicating that the bleeding of the power sector surged by Rs538 billion just in 12 months from July 2019 to June 30, 2020.

This shows that the circular debt went up by Rs44.8 billion on a monthly basis in the last financial year. However, the government blamed that the outbreak of COVID-19 pandemic ballooned the circular debt in the second half of the last fiscal year. The government performance was also exposed as it claimed that the monthly accumulation of circular debt was curtailed at just Rs10 to 12 billion. However, it proved wrong because the high-ups of Power Division did not include all the heads while calculating the circular debt.

The increase in circular debt continued in the first five months (July-Nov) of the current fiscal year as it increased to Rs156 billion and it went up from Rs2,150 billion to Rs2,306 billion. So far, the circular debt went up by Rs31 billion on monthly basis in the first five months.

The amount payable to IPPs is projected to grow from Rs1,038 billion at end June 2020 to Rs1,711 billion till end June 2021. "There is projection that the circular debt might increase by Rs499 billion in financial year 2020-21," said the official.

According to official statement issued here on Thursday, a meeting of the Cabinet Committee on Energy (CCOE) under the Chairmanship of Federal Minister for Planning, Development and Special Initiatives Asad Umar reviewed the Power Division's design and implementation plan of Competitive Trading Bilateral Contract Market (CTBCM). The Power Division briefed the committee that in the first phase, consumers with a load of 1 MW or above will participate in the competitive market. These consumers represent around 16% of the total electricity sales. More consumers will be added in the market subsequently when the market stabilizes and matures.

The committee gave approval to the design principles and implementation plan of the CTBCM. The Power Division also updated the committee on implementation of the circular debt reduction plan. The committee reviewed the implementation status and directed the power ministry to conclude the open items and submit formal proposals to the ECC.

The meeting was attended by Minister for Energy Omar Ayub Khan, Federal Minister for Information and Broadcasting Shibli Faraz, Interior Minister Sheikh Rashid Ahmed, Adviser to Prime Minister on Finance Abdul Hafeez Sheikh, SAPM on Petroleum Nadeem Babar, Abdul Razak Dawood Adviser to the Prime Minister on Commerce & Investment and officials of various divisions.