

Mess in the power sector

The disturbing legacy of the PML-N five-year tenure on the state of the economy as well as on the performance of critical sectors, particularly the power sector, is unraveling at warp speed. The Economic Coordination Committee (ECC) of the Cabinet was recently informed that the financial gap in the power sector, including subsidy, has widened to 982 billion rupees, and without subsidy to 1.6 trillion rupees. Karachi Electric (KE) under Abraaj is seeking 65.66 billion rupees from the federal government - the outstanding amount under Tariff Differential Subsidy as well as an additional 14.53 billion rupees as yet another outstanding balance. Additionally, the Abraaj Group has sought approval from the government to sell off its 66.4 percent shares to Shanghai Electric Power - an approval that was stalled as the previous administration failed to rationalize the extent of KE's dues.

The failure to formulate and then implement a holistic power sector policy was patently evident during the past five years. The PML-N administration focused on generation to the exclusion of other lacunae identified by power sector experts, particularly with respect to an obsolete distribution and transmission system that not only accounted for heavy line losses, much above the international level as well as above those stipulated by the Regulator, but also compromised the ability of the system to transmit any enhancement in electricity generation. The then Power Secretary Nargis Sethi revealed end-2012 that the country's capacity to transmit was limited to 15000MW and during the five years of the PML-N former Power Minister Khawaja Asif maintained that the capacity had been enhanced to 16500MW. In its defence, the PML-N leadership maintains that when in government it transmitted around 21000MW, however, this figure is suspect for a variety of reasons, including the decision not to share the actual supply and managed demand data with the public.

However, even if Khawaja Asif's claim is taken at face value, the fact of the matter is that the generation capacity as per the Asian Development Bank third-party audit was 20,000MW in 2010, well above the transmission capacity of the system, and then to add another 10,000MW to generation capacity during 2013 to 2018 without strengthening the transmission system simply defies logic. To add insult to injury, the PML-N administration failed to improve governance in the power sector that led to the circular debt rising above the one trillion mark at the end of its tenure, as revealed in the first post-programme monitoring report uploaded on the International Monetary Fund's website dated March 2018. The previous administration also relied heavily on borrowing to meet the sector's liquidity crisis that, in turn, not only raised the sector's exposure leading banks to hesitate from lending to the sector but also led to passing on the interest payment to consumers accounting for electricity tariffs well above the regional average that are disabling our exporters from competing in the international market place.

While the Pakistan Tehreek-e-Insaf (PTI) government is focused on corruption and irregularities, one wonders what it considers is the penalty to be paid by those guilty of proactively engaging in

flawed policy decisions. Governance issues and flawed economic policy decisions were taken by Ishaq Dar based on his lack of relevant qualifications - decisions that have contributed to the appalling state of the economy today.

The best defence is when a process is violated, however courts struggle when hearing cases where a flawed policy decision was taken. If the decision was taken with mala fide intent then it is punishable, but if premised on incompetence (lack of knowledge) then the argument that the executive is allowed to take such policy decisions may account for a 'not guilty' verdict. One would hope that given the misery facing the nation in general and the poor and vulnerable in particular, some measures are put in place to hold those who supported flawed policy decisions accountable.

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