

Circular debt soars to all-time high of Rs1,155 bn

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ISLAMABAD: The federal cabinet meeting here on Friday, chaired by Prime Minister Imran Khan, was told that the circular debt, loans and liabilities of the power sector have surged to an all-time high of Rs1,155 billion.

They include Rs575 billion in outstanding payments and loans of Rs580 billion parked in the Power Holding Private Limited. Meanwhile, the amount owed to Pakistan State Oil has increased to Rs331.5 billion. Collectively, they pose a threat to the smooth functioning of the power sector.

Power division officials also told the cabinet that previous government's claim to have brought an end to electricity load-shedding were incorrect, a senior official involved in the presentation told The News. Balochistan, Sindh and Khyber Pakhtunkhwa provinces were still subject to power cuts because of a 4,000-megawatt shortfall caused by shortcomings in the national electricity distribution system, the cabinet was told.

The prime minister instructed the power division to formulate workable proposals for uninterrupted power supplies to the industrial sector and the supply of electricity at affordable prices.

The power division official told The News that a Rs160 billion spike in the circular debt had been incurred on account of a federal cabinet decision in December 2017 to allow the supply of electricity to all feeders, irrespective of whether they served profit or loss-making areas.

According to the presentation made to the cabinet, the amount of electricity billed to consumers accounted for 90 percent of total supplies and generated losses of Rs120 billion a year. Line losses stood at 18.3 percent, against a permissible total of 16.3 percent, with the resultant additional cost of Rs196 billion a year unfairly passed on to the consumer. The remaining 2 percent of line losses, amounting to Rs24 billion a year, were added to the circular debt pile.

The power division sought policy guidelines from the cabinet for the formulation of a long-term strategy to reduce these losses, including the activation of the provincial governments to act against unscrupulous elements involved in the theft of electricity worth Rs85-90 billion a year.

The official revealed that the debt office of the finance ministry has been tasked with the negotiation of Rs50 billion in loans from commercial and Islamic banks, in order

to reduce the circular debt bill. Commercial Banks have previously refused to extend the Rs 50 billion loan because the previous government was inclined to service its debt but not pay off the owed principal amount.

The Meezan Islamic Fund also backed out from its commitment to lend the government money to service circular debt payments. The government has resumed negotiations for loans with three tenures, to be prospectively priced at the Karachi Inter Bank Offered Rate plus 0.5, 0.75 and 1 percent, the power division official said.