

Circular debt stands at Rs1,004 billion

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ISLAMABAD: Pakistan's circular debt, including loans and liabilities of power sector, stood at Rs1,004 billion as of May 31, 2018 -- the last day of the PML-N government.

The volume of circular debt may further grow on account of the holy month of the Ramazan as electricity supply has been ensured to consumers of loss making feeders at Iftar and Sehr times during the holy month.

According to the Joint Secretary Power Division Zargham Eshaq Khan, the total payables by the government in power sector stand at Rs507 billion and the loans of power sector parked in Power Holding Private Limited (PHPL) are at Rs497 billion. "If we add the said two accounts, then the circular debt of the power sector amounts to Rs1.004 trillion," he said.

Dr Miftah Ismail told The News on June 03 that his government had reduced by May 31 the circular debt to Rs397 billion and it will further be reduced to Rs347 billion if the amount of Rs50 billion, that the Economic Coordination Committee (ECC) had approved and allowed the PHPL to arrange from commercial banks, is further disbursed to the IPPs, PSO and nuclear power plants. However, Zargham Khan negated the claim, saying that the payables stood at Rs507 billion by May 31, according to the official record.

Currently, the revenue based loadshedding is being extended, but on humanitarian basis, electricity is also being supplied to consumers of high loss feeders at the time of Iftar and Sehr, which is why in the days to come the circular debt will further swell.

Zargham Khan said that so far in the current financial year, the power sector has also paid Rs46 billion as interest and some portion of the principled amount of loans, which is why the PHPL's loans are still contained at Rs497 billion.

He said that the major amount of Rs89 billion is also part of the circular debt only because of delay of one and a half years in notifying the tariff of electricity and unless and until the said loss is compensated, it will continue to be the part of the circular debt.

Documents available with The News also paint a bleak picture unfolding that so far in the first nine months of the current financial year, Rs60 billion electricity has been stolen and when the outgoing year finishes, the loss will surge up to Rs85 to Rs90 billion.

More importantly, the documents also unveil that to cope with this kind of inefficiency and overcome the gap of Rs90 billion loss in the head of theft alone, overbilling of Rs1-1.5 billion per month is extended to the legitimate consumers every

month. The documents also show that the recovery has reduced to 89 percent, which is why the power sector sustained the loss of Rs132 billion.