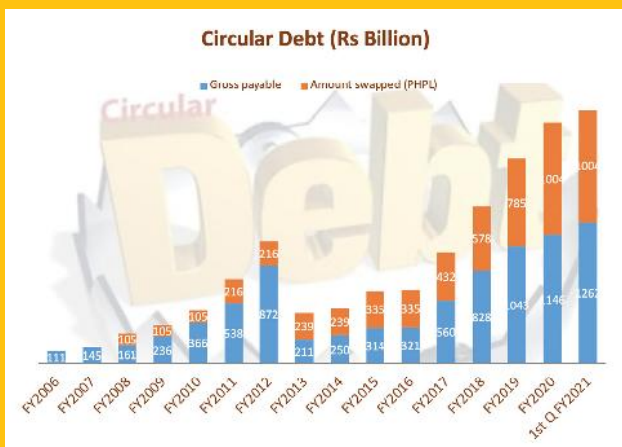


# PIDE Webinars on energy

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## Circular debt - an unfortunate misnomer

Circular debt has been with us for 16 years. Pakistan has suffered huge losses (cumulated loss of more than Rs. 5 trillion). We tend to hide behind the term circular debt without any clarity. Experts at the webinar were of the view:



Circular debt is a power sector deficit; shortfall in inflows and outflows at the CPPA-G. It is because of inefficiencies, delays in tariff determination/ decision-making, taxation issues, administrative and governance issues. It is huge and increasing as there is no serious effort to curtail it. The only effort government made over the years is to increase consumer tariff; which in itself is distortionary. Uniform tariff and subsidies act as a disincentive for DISCOs to improve efficiency.

Instead of increasing sales to minimise the

impact of huge capacity payments, DISCOs have started revenue-based load shedding. There are no performance contracts with energy companies.

Steps suggested for the future include:

- Empower NEPRA to notify differential tariffs. The government must cover all costs not covered in tariff through subsidy.
- Power sector polices should be linked with the monetary policy and exchange rate policy.
- De-politicise the DISCOs and allow an independent board with professionals as its members.
- Experts are required in the sector to understand the underlying issues and take appropriate steps in time.
- Coordination between Federal, Provincial and Local governments is required to resolve the outstanding recovery issues.
- Finally, smart technologies can be used to control non-technical losses.

