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Mock Exams CSS 2025 (August)

~ (Subjective Part) ~

~ (Part - II) ~

~ (Qno. 2) ~

Introduction:

Independent Power producers (IPPs) are private companies that generate power/ electricity before selling it to the national grid competitively. There can be a variety of sources that IPPs can use to generate electricity such as wind, solar and nuclear energy. Although they contribute to Pakistan's circular debt, they are still a necessary

evil. IPPs are a saving grace for developing and under developing states because they have more flexibility and funds when it comes to establishing power-generating industries and projects. They add market competition, leading to decreased rates for the masses.

IPPs models have successfully attracted international and private investment for power and energy sector, an area has been state-owned and dominated for a long time.

Although they are independent contractors, they do sign various power purchase agreements (PPA) with the sitting governments of the state. However, several risks are involved when independent power producers sign agreements with fragile states like Pakistan.

Risks:

- Currency - weak domestic currency vs USD
- Payment plan - lack of consistency in payments due to unstable economy.
- Political Aspect - Political instability or change in authority could lead to contract reevaluation or cancellation.

A question that always arises when private ownership of an IPP is discussed is why do non-states that pride themselves on sovereignty and independent working allow foreign actors to function in their state at such massive scale? This question is answered eloquently in the 1994 Pakistan Power Policy Reform Report. It stated a fact that stands true to this day - the ambitious programs and power demands of Pakistan cannot be

fully fulfilled by the public sector due to the lack of fiscal freedom and resource allocation.

IPPs in Pakistan:

There are many IPPs in Pakistan a list of Notable IPPs are mentioned below:

- 1) Mira Power Ltd
- 2) Huaneng Shandong Ruyi
- 3) Energy (Pvt) Ltd.
- 4) Tenaga Generasi Ltd
- 5) Halmore Power Generation
- 6) Company limited.

As seen currently, electricity prices are rising as Pakistan sinks further into debt - currently at 124.3 billion dollars (June 2023) and Rs. 2.646 trillion (July 2023).

Circular Debt:

The induction of independent power producers in a state such as Pakistan which has a weak currency and fragile economy has led to many challenges, the accumulation of circular debt. It is an amalgamation of unpaid dues and bills between the consumers and the government, and the government with the power producers and distributors.

The states take-or-pay contracts, which require the government to pay for a minimum amount of electricity from IPPs, whether or not it is needed, has contributed to circular debt.

Revenue collection from consumers is only 60% whereas the government is contractually bound to pay the IPPs a fixed amount according

to signed agreements. To pay back and fulfill the purchase agreement, the state cannot reduce the cost of electricity or put into force any sort of subsidy.

The debt has reached to an amount of Rs 2.64 trillion as of february 2024.

Initially, the return on equity for IPPs was set at 18%, later reduced to 12%. In the Power Policy of 2002, but it remained high as compared globally.

Protests in Pakistan:

Recently in Pakistan, civil protests have been rising due to rising inflation in energy sector. Fuel prices & teamed up with devaluation of Pakistani Rupee (Rs 307.49) against dollar. The International Monetary Fund (IMF) put various conditionalities on its

bailouts, one of which for Pakistan has been to reduce and/or eliminate subsidies in the power sector. The Finance Minister of the caretaker government, Shamsah Akhtar, stated that the national treasury does not have any 'fiscal space' to help lessen the load on public.

In June 2021, the government paid around forty percent of their owed amount to the IPPs i.e Rs 89 billion. It was decided to pay out the amount in two sets to lessen the load that energy sector contributes towards circular debt. But then several IPPs were under investigation by the National Accountability Bureau (NAB) as well which is why dues could not be paid to all.

Now, the Senate has leveled accusations against independent power providers for playing such a massive role in recent inflation. Senator Saifullah Abro took action when he went on record to say that unless the issue was resolved with the IPP payments, the energy crisis would remain prominent.

Recent Developments:

In July 2023, the state authorities took a bold step in an attempt to alleviate the pressures of the impending debt crisis and moved to clear

Rs. 1.42 billion for IPPs. The CPPA (Central Power Purchasing Agency), which handles PPAs, said that this step would lead to better

fiscal environment for the energy sector's future. Experts

Conclusion:

In conclusion to we can state that increasing capacity payment to IPPs has made electricity hyper expensive. Experts are hoping by taking new initiatives that will help ease the pressure on the state but the problem remains. The people are spilling out onto the streets demanding a reduction in the very bills that are supposed to go into paying out IPPs contract.

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Introduction:

After 15 years in power, Bangladeshi Prime Minister Sheikh Hasina fled the country following a month of protests in which over 300 people were killed. Her departure, which came after she lost the army's support, sparked jubilation in Dhaka and cities across country, but also outbreaks of violence and looting. The army chief announced that an interim government will step in until order is restored and new elections can be held.

Political Earthquake in Bangladesh:

Forming an Interim government that will have the tasks of maintaining order and running the country until new national elections can be held.

The constitution states the general elections to take place after 90 days, the ^{Parliament} assembly is dissolved. It is important that the interim administration be genuinely representative. Waker's speech on 5 August suggests that it will comprise members of opposition parties and civil society. If calm is to be restored, those who risked and sacrificed the most to compel Hasina to resign. The students who initiated the protest movement should have a meaningful voice in the government counsels.

Moving toward Justice:

Even before the interim government is formed, the army, politicians and student leaders need to take all possible ways

or steps to prevent further outbreaks of deadly violence.

Alongside the joy and relief on the streets of Dhaka there is a great deal of hatred of the repressive apparatus she built to maintain her grip on power.

Protestors have attacked police stations, the offices of Awami League and homes of Hasina's key lieutenants, including her long-serving home affairs minister. In one incident 24 people died after a mob set fire to a hotel in Jessore owned by the local Awami League official.

Army chief Waker promised a trial for every killing. A first step would be for the interim government to begin credible investigations

into violence, the UN and other international partners should make clear their willingness to provide support as requested. The Interim government should ensure that the thousands of people arrested for participating in the protests are released.

Beyond the pursuit of judicial accountability, the government should provide redress to the families who lost relatives in crackdown, along with thousands who were injured. A national day of mourning could also help bring the country together.

Quickly restoring stability will also help avert another short term risk: an economic crisis. To avoid the crisis of a balance of payment crisis, the interim government

will need to quickly restore confidence in economy and in particular to the garment sector which accounts for 85% of country's export earnings. Back up to speed. External partners, including international financial institutions, should stand ready to provide emergency assistance if the economy begins to teeter.

Restoring Democracy:

The bigger challenge for the interim government will be to put Bangladesh back on the path of genuine democracy. The country has not seen a competitive election for 15 years, in part due to opposition by Cotts, as occurred in January which is part of the reason why the protest movement

grew so large. A key issue will be deciding when the elections take place. While the constitution gives a 90 days deadline, elections are only part of the answer to Bangladesh's political crisis, without fundamental reforms country could find itself familiar patterns of instability.

The interim government will need to begin the hard work of restoring the independence of key institutions. This should be an immediate priority.

Independence of Election Commission to build confidence in the forthcoming polls. Outside actors should be able to lend support and expertise.

Legal and security reform is also urgently needed. For too long, Bangladesh have lived in

fear of various security agencies, not only the police but also the Rapid action Battalion. The appointment of a new police chief, in place of Hasina loyalist who was sanctioned by the US for human rights abuses.

It should also form a legal commission to review repressive laws such as cyber security Act.

Bangladesh faces a profound need for political renewal. If an election takes place it is probably the BNP party to take over due to its large number of supporters is a little better than Awami League.

Foreign major governments should make clear to the army and interim government that they expect an elected civilian

government to take the reins in a reasonable timeframe.

Foreign government can support Bangladesh in a number of ways:

- Stand ready to provide financial assistance
- technical assistance on
- democratic reforms.
- Review cooperation with security services to make future exchange.

Conclusion:

Bangladesh is entering a period of political uncertainty, with high risk of both violence and economic instability.

But Hasina's departure is also a chance for renewal.

Initial moves from president and army chief suggest willingness among at least

Some of the country's old guard to support newly emerging forces in a reform effort that can put the country on a stable and prosperous path. International actors should do what they can to help Bangladesh take advantage of a once in a generation opportunity.

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End!