

Current Affairs

Q No 7) The Socio-economic future of Pakistan is directly linked with the reforms in the power sector. Analyze.

1- Introduction:

An acute ongoing energy crisis has plagued already flagging economy of Pakistan. The energy difficulties are deep and complicated. There are many social and economic issues of Pakistan, and are directly or indirectly linked with the power sector. In short, Pakistan has been trapped by a blend of problems such as political chaos, economic turmoil, social unrest, religious extremism, rampant corruption, unemployment, pervasive poverty, child labor, moral degeneration etc. The energy crisis has added fuel to the fire; it has created many more socio-economic issues for the whole nation. Today, energy has become one of the most significant needs of man. So the energy crisis has a deep impact on the social and economic issues in Pakistan. It has deteriorated social and economic setup in Pakistan. So Government needs to take measures for strengthening the system as energy plays a crucial role to overcome socio-economic issue. For this purpose reforms in power sector is introduced by the government.

2- Social Problems in Pakistan:

Since, the inception of Pakistan, it is facing a lot of problems. For instance poverty, unemployment, crime, low status of women, early marriage, rape, gender inequality, education, health sector etc. But still there is no permanent solution of these problems is available uptill now.

3- Economic Problems in Pakistan:

Economically, the country is grappling with severe inflation, a declining currency, and critically low foreign reserves. Still Pakistan is not having a permanent solution for economic crisis.

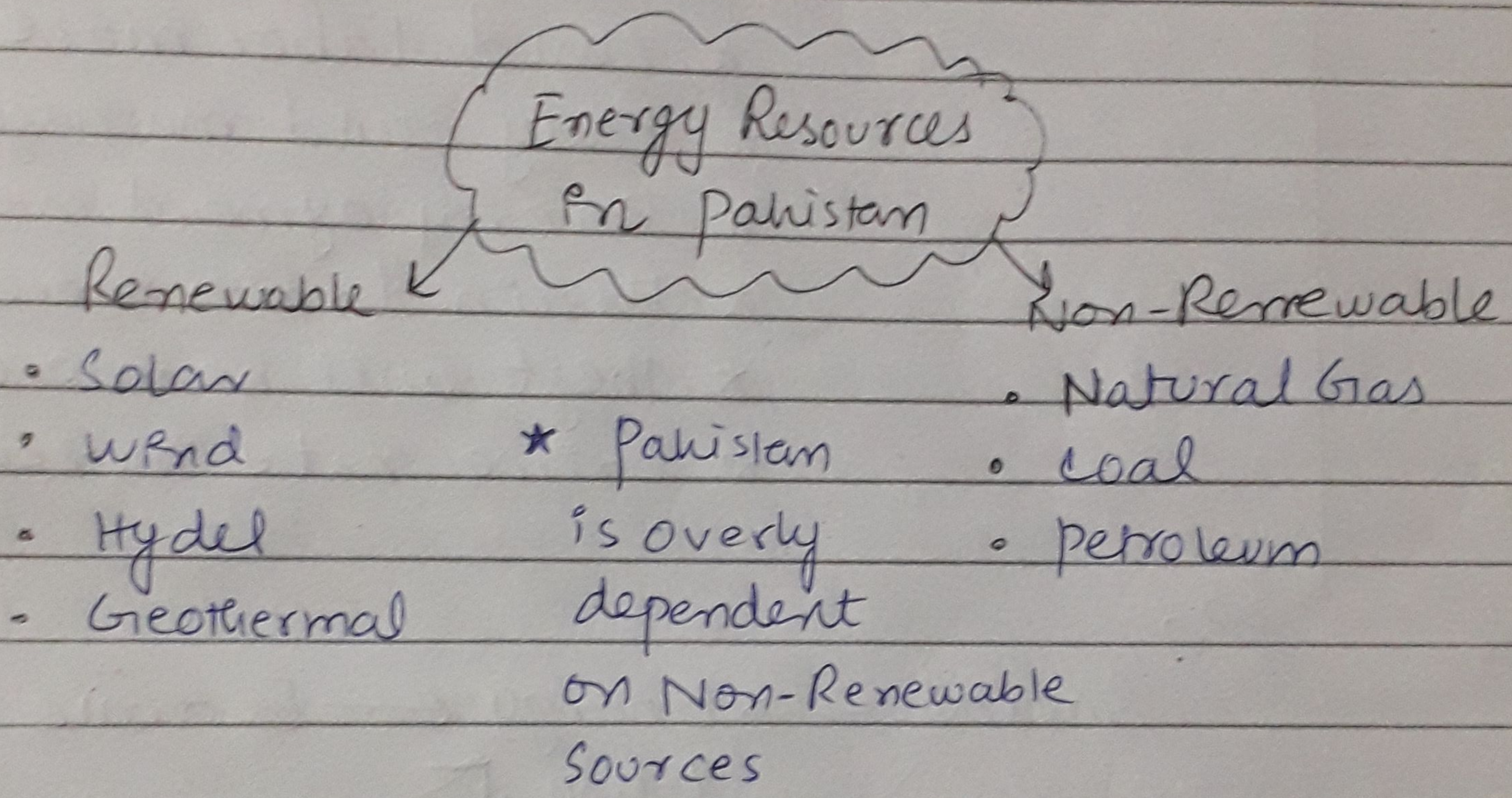
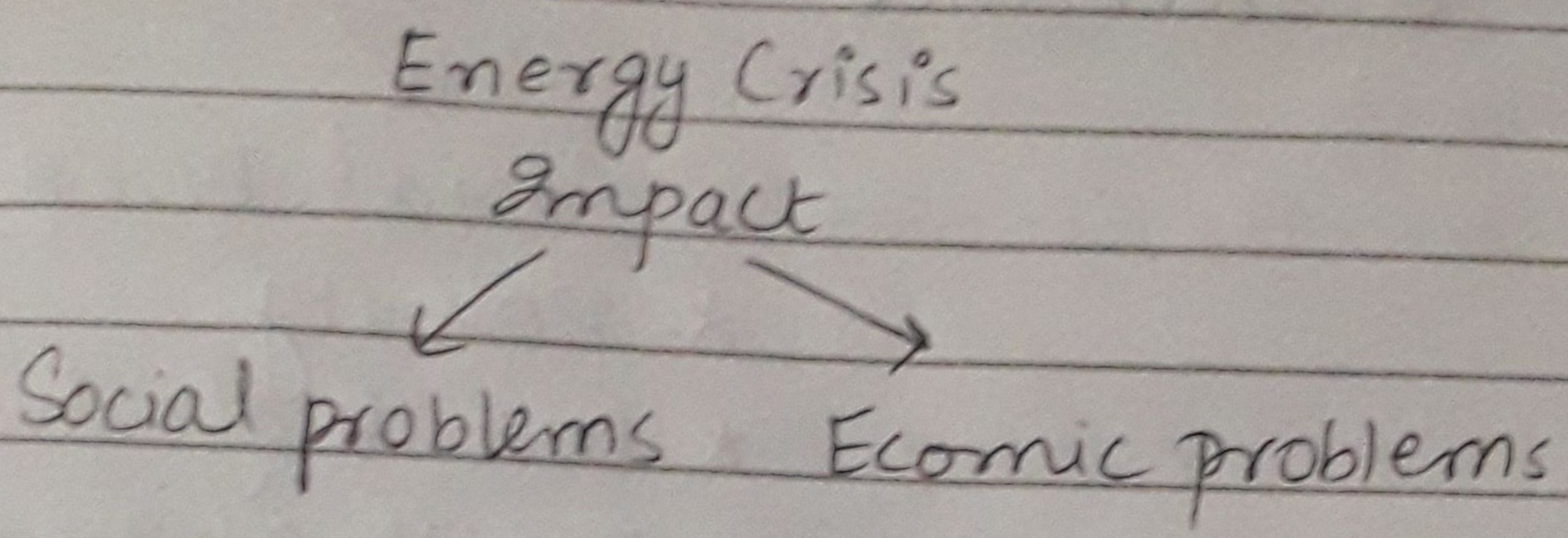
4- Energy Crisis:

Pakistan has been grappling with a severe energy crisis for several years. The demand of energy is increased because of multiple reasons. This energy deficit has created multiple problems and hampering the daily life of a common citizen.

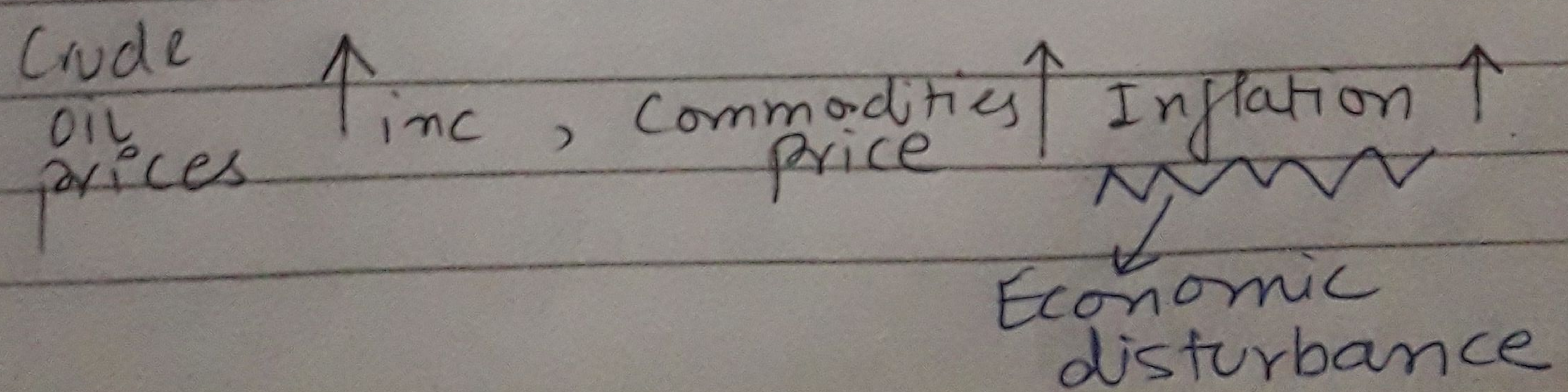
The electricity shortfall widened to 7000 megawatts with demand rising to 28,200 megawatts. While the power supply was 21,200 megawatts.

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Linkage of Energy Crisis with Socio-economic Problems of Pakistan:



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- * For this purpose ^{Crude} oil is Imported
 - * Now a days Crude oil is Imported from middle East (expensive) because of Russia-Ukraine war
 - * Whenever there will be increase prices of Crude oil, there would be price hike so inflation comes



6- Power Sector Reforms is linked with Socio-Economic future of Pakistan:

Reforms are multi pronged and developed in close consultation with multilateral/bilateral development agencies and other stake holders.

(i) Ensuring autonomy to Power Sector companies

In this reform the Power Sector companies are privatized to overcome the gap e.g WAPDA. It is contended that IPPs expensive power has rendered the state utility, water and development Power Authority (WAPDA), bankrupt. It is also alleged that IPPs indulged in corruption and colluded with WAPDA. Because of this the agreement made with IPPs are expensive so prices of electricity units are increased.

Every IPPs has installed capacity of 100mw. If Government does not buy electricity units from IPPs then minimum 35% cost has to be given.

So expensive deals \uparrow to avoid \uparrow price of \uparrow Bills \uparrow deficit \uparrow electricity units \uparrow

So it is affecting economically and socially.

(ii) Ensuring effective Corporate governance through the professional boards of directors and management:

Although an organization can be well ^{managed} with a team of professional members.

But, unfortunately the members of the board are not hired according to their professional

degrees who can understand the basic problems of that particular sector.

e.g

Director of WAPDA = Degree in Psychology

Chairman of WAPDA = Lt. General

Need person who are technocrats.

iii) Induction of modern technology and managerial practices

still in Pakistan orthodox practices are being followed. Still there is electricity wastage because of transmission lines. Majority of transmission lines in Pakistan were installed in 1970's - 1980's. Due to this there is 17% line loss. In Asia, Pakistan is facing biggest line loss.

* Line loss

India = 9%

Bangladesh = 12%

China = 3%

Afghanistan = 12%

Pakistan = 17% → biggest in Asia

iv) Correcting the imbalances in fuel costs to realize maximum economic benefit from our resources

This point is included in reform. But still expensive crude oil is being imported. Because of this high fuel price, there is a

Price hike on everything.
Sources of electricity generation are expensive.

6000 Mwt electricity is from coal

5000 Mwt electricity is from Gas

4000 - 8000 Mwt electricity is from Crude oil

So max. Use

Per barrel of crude oil = 80 billion dollar

$$80 \times 285 = 22800$$

(Jump of more than 8000 bec of Rupee devaluation)

v) Human Resource Capacity building in the companies, Ministry of water and power, NEPRA and planning commission

Human resource should be developed to manage these companies and ministries. They should be conducted according to their professional degrees. But when employing HR, these factors are not seen.

vii) Automated Payment system amongst the companies to minimize discretion

Although this point is included in the reform but still this system is not in proper implementation

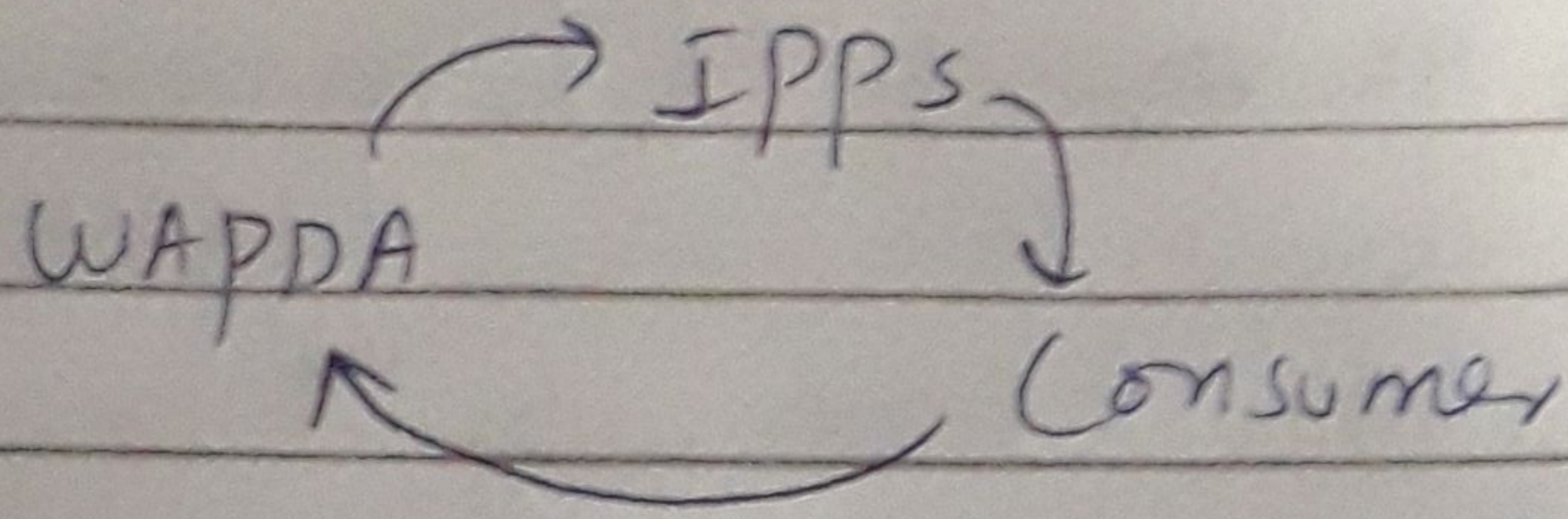
* Automated payment system → Documented Economy

* UnAutomated payment system → Undocumented Economy

In Pakistan 99.9%
Undocumented economy

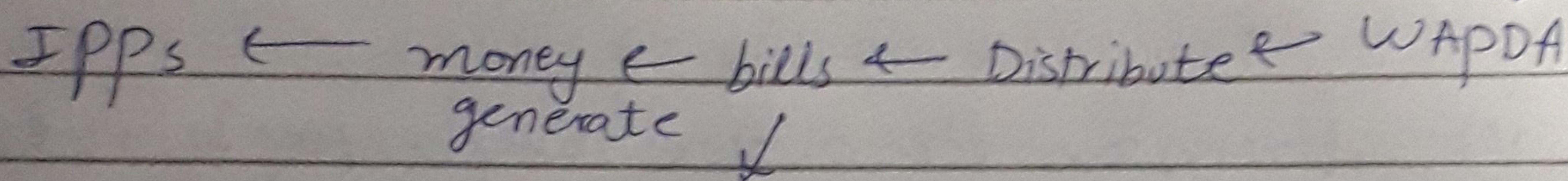
vii) Ongoing work to deal with circular debt:

IPPs (Independent power producers)



viscious cycle of circular debt

Government → Electricity → Government

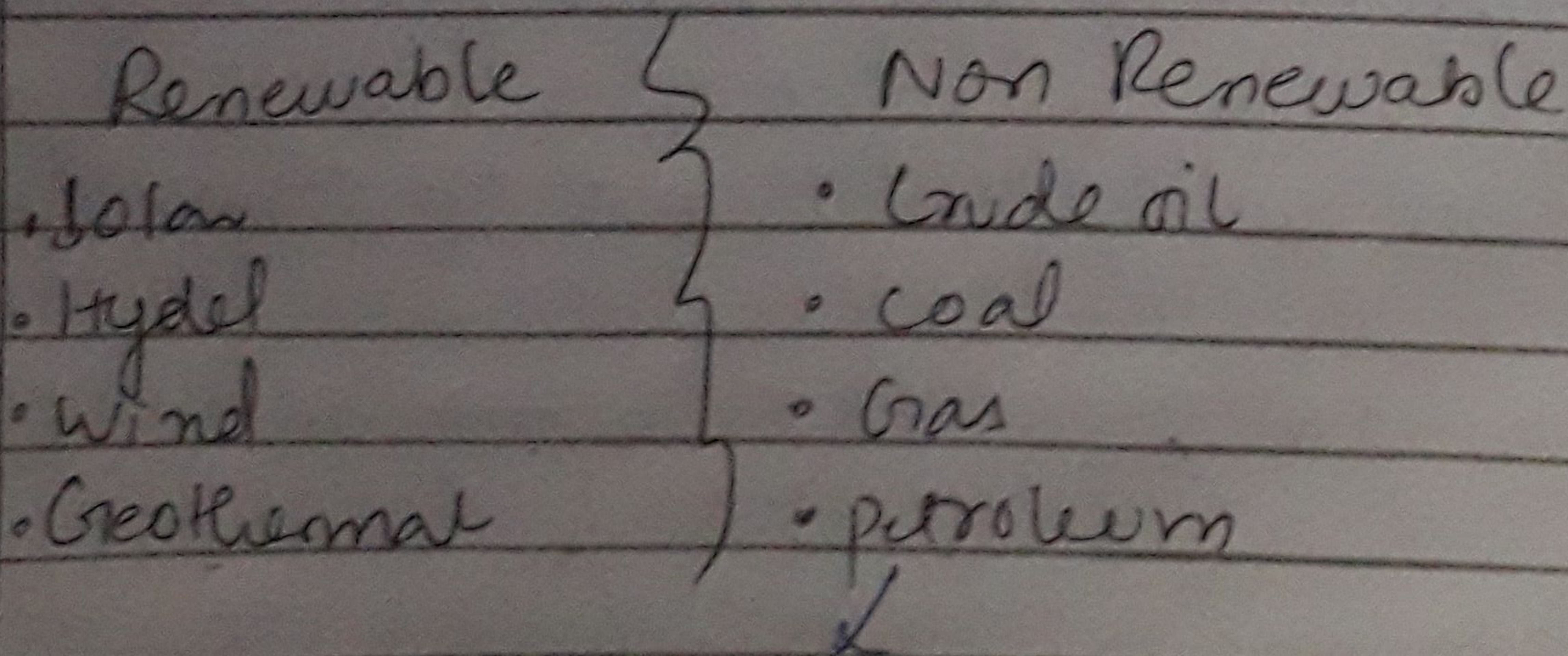


- bills not given
- electricity theft
- wastage
- line loss

viii) Addressing the adverse fuel mix through a least cost generation expansion plan

there are two energy resources

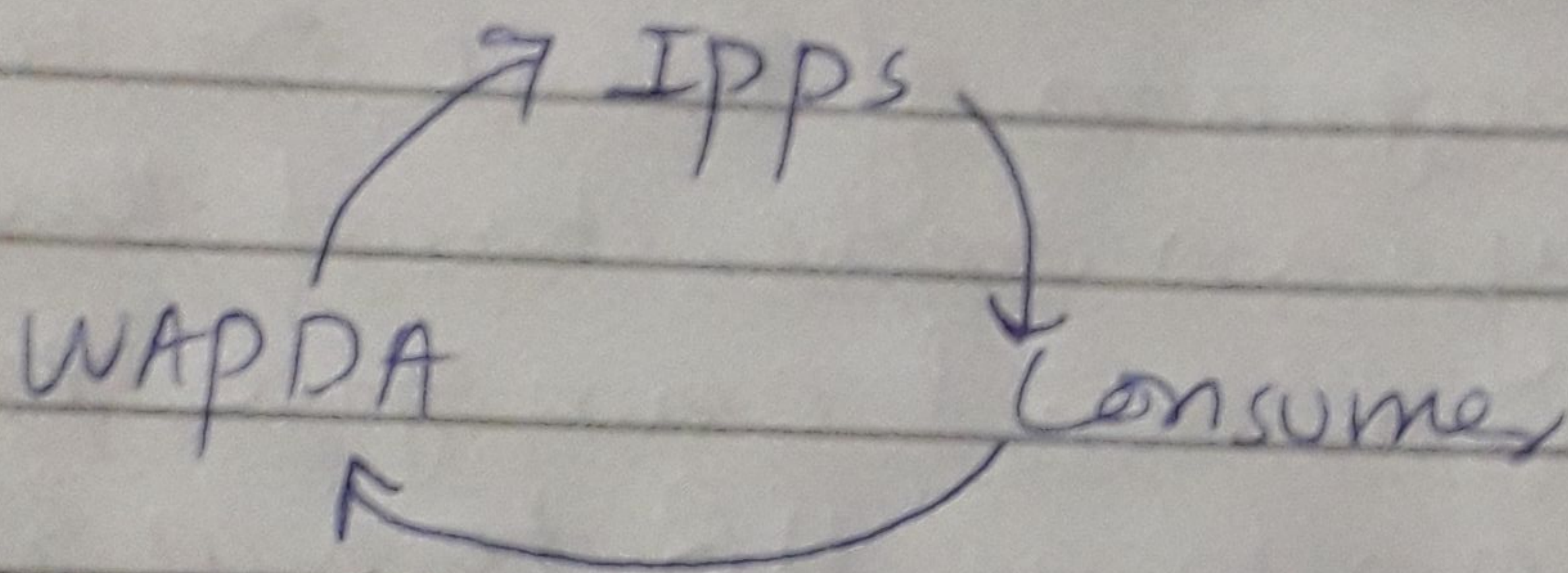
- a) Renewable energy resource
- b) Non Renewable energy resource



Pakistan is excessively dependent on non-renewable resources.

ix) Empowering NEPRA through an amendment to directly notify tariffs to avoid the recurrence of circular debt through the application of cost recovery tariffs:

To avoid the recurrence of the circular debt it is necessary to take the full cost of service. Although, ^{notice} letters were issued but still there is no practical implication has achieved uptill now



Government is being trapped in circular debt.

x) Economic despatch and curtailment of inefficient generation:

Still Pakistan is heavily dependent on the non renewable energy resources.

6000 Mwt electricity is from coal
5000 Mwt electricity is from Gas
4000-8000 Mwt electricity is from Crude oils

These all are non renewable energy resources

Destroying
Economy
Climate

7 Solution:

These reforms were introduced by the government to solve the current situation of Pakistan. But it needs some amendments and check and balance to properly maintain the system.

① Technocrats should be appointed for these institutions:

Technocrats should be appointed in the organization of these institutions. So, that they can understand the root cause of problems and can give practical solution to these problems. HR team should be built on merit basis.

② Shift from Non renewable energy sources to renewable energy resources

The non renewable energy resources are heavily damaging the economy as well as climate of the country. One way to prosperity is to get rid of non-renewable energy resources.

③ Fully utilizing the cost of service to reduce the circular debt

If the resources that are being used by the consumer would be fully charged can reduce the chance of circular debt. It will also raise the economy of country.

④ Utilization of modern technology, transmission lines and system:

The utilization of modern technology e.g. the use of fiber optics will be used as the transmission line in electricity system can avoid the wastage of electricity. As Pakistan is facing the issue of transmission line loss, highest in Asia.

⑤ Automated System should be used:

The Automated system of transference comes under the category of documented economy, more over it would also reduce the chance of corruption.

⑥ Conclusion:

As evident from the examples discussed earlier that energy has a direct link with the social and economic condition of Pakistan. For the prosperity of Pakistan, energy crisis need to be resolved. For this government is taking steps to get rid of energy crisis. Reforms have been introduced. But with some amendments, check and balance can smoothen the system. For this purpose citizen of Pakistan also need to take proactive approach to minimize the wastage of electricity as much as possible.