

## Question no: 02

# I INTRODUCTION

Pakistan has been facing persistent problem of circular debt. It has posed serious challenges to energy sector. The power, petroleum and natural gas sectors are the three largest contributors to the circular debt in the energy sector. It is not only affecting the available capacity but also the investors are reluctant to invest in the power sector. Government have been increasing power tariffs to pay off the debt. These power hikes have resulted in decline in investment, drop in productivity and a soaring inflation. The circular debt according to State Bank of Pakistan has reached

a staggering 2.3 trillion rupees. The non-payment of bills, inefficient energy generation, IPPs, subsidized tariffs, are the main causes of circular debt in the power sector. However, by regulating energy sector and having energy reforms can curb this issue.

## II Emergence of Circular debt in the power sector of Pakistan

Although the circular debt emerged in 2001 in the power sector, but it mainly arose due to the implementation of policies with the Independent Power Producers (IPPs). These policies allowed the expensive generation of power through hydrocarbons mainly oil. This all contributed to the government's burden to pay the payments. This circular debt has halted Pakistan's socio-economic development.

## I-II Circular debt and its causes in the Power sector of Pakistan

Circular debt is basically a debt that occurs when money is not transferred by the electricity distribution companies to the power supplier.

### i. Root causes of circular debt in the power sector of Pakistan

#### a. Agreements with Independent Power Producers (IPPs):

Although Pakistan signed agreement with Independent Power Producers in the 1990s it has started to cause serious problems for the power sector. ~~It is~~ Pakistani government is paying in dollars rather than the local currency. These agreements are <sup>very</sup> expensive and 33% of total payment is needed to be paid

at any cost regardless of the fact electricity is produced or not. This accumulates huge amount of debt for Pakistan.

## -ii Expensive electricity generation

According to the former Prime Minister of Pakistan Shaukat

Sharif, Pakistan is generating world's ~~most~~ expensive electricity and world's third expensive electricity. Pakistan is mostly generating this electricity from hydrocarbons mostly oil and that too imported oil.

Due to this the industry sector is not developing and we are not being able to generate revenues and in return government face the difficulty of payments.

## -iii Infrastructure - old model - loss of electricity

Pakistan's electricity generation is based on the old and ineffective model. Huge electricity is lost through the transmission line resulting in declining & relaxation of the ~~electric~~ <sup>energy</sup> sector. According to **Water and Power Development Authority** (WAPDA) 34% of the electricity is lost through the ineffective transmission lines.

-v **Theft and non-payment of bills**  
Most of the government institutions bills are still pending. Due to these non-payment of bills, the energy sector is suffering. Moreover the theft of electricity is common in Pakistan. These all add to problems of energy sector to pay bills.

-v **Government's practice of subsidizing electricity tariffs**

Government practice of subsidizing electric tariffs are common. This places a huge burden on the national economy. According to **State Bank of Pakistan** the government, the budget allocation for government subsidies was nearly **Rs 120 billion** in the year 2021-22.

## **IV Recommendations**

### **(i) Reducing cost of electricity generation**

The cost of electricity generation can be reduced by reducing cost of electricity generation. This includes the local production of electricity from indigenous sources including wind, solar, hydro and related projects. Government need to subsidize projects especially

Solar

## b - Re-negotiating with ZPPs

Pakistan should re-negotiate with the ZPPs. This can be done by replacing dollar with local Pakistani currency. Moreover

## a forensic audit of ZPPs

is necessary to check whether they are profitable or not. The contracts with the ZPPs which have not yielded positive results should be discontinued.

## c Reducing subsidies

The government must reduce the subsidies instead of benefiting stakeholders the priority should be to benefit local people especially the low-income households. Government should provide them with direct cash.

d **Curbing High transmission losses**

High transmission losses of the power distributors needed to be tackled. This can be

done by **decentralising the power distributors (DISCOs)**.

-i **Independent DISCOs**

The power distributors should be independent. For this the

municipality need to buy bulk of electricity, collect the bills and pay back. This can

be extended to district level as well. The municipal

administration has the capacity to recover losses as they have law enforcement departments.

-ii **Community members - must be given ownership of power distribution.**

We can give ownership of power distribution to the

community members especially in rural areas. This model

is already been adopted by China and USA. Community markets collect bills and pay back to the power sector.

-e **Poor and rich consumers must be separated**

Poor and rich consumers must be separated by implementing different policies for them. Government although gives some relief who use below 300 units per month but the rich who have the capacity <sup>to pay bill</sup> are installing more than one meters in their homes in order to divide the units so that electricity bill can be reduced. Government must make policies to ensure there are no such kind of disparities. Instead of providing these subsidies government should directly hand over the cash to the poor.

g- **Card meters - use upto the electricity**

## needs

In order to solve the issue of non-payment of bills, government should introduce card meters, i.e. just put the balance in the card and use the electricity.

## Conclusion:

Circular debt in the power sector is a major problem. It has far implications on the socio-economic development of Pakistan. But it can be curbed by taking strict initiatives like the mentioned above.

Pakistan's economy can only flourish when it has the best system of power sector.

The socio-economic progress depends on the energy because it <sup>become</sup> extremely becoming crucial in all of the domains.

## Question : 1

### INTRODUCTION :

The role of education and skill development in fostering the economic growth is of a heretofore one. Education plays a key role in the socio-economic development of a country especially Pakistan who is already facing severe economic crisis.

The education and skill development have not remained the priority of our leaders or state-holders. Due to the lack of education and having no proper skills the youth of Pakistan have <sup>to</sup> face severe consequences especially in terms of having a job. Most of the Pakistani youth are unemployed. Effective and strong measures are needed to

be taken in terms of education and skills to tackle challenges like unemployment.

## II Role of education and skill development in fostering economic growth of Pakistan

### (i) Education fosters creativity

Education plays a key role in fostering economic growth especially for the country like Pakistan. Education provides creativity and critical thinking which provides a fertile ground for business and innovation.

### (ii) Education encourages a culture of lifelong learning

Pakistan are already facing severe crisis and in order to have economic growth one must have education as it encourages

Today learning and paving a way towards a impactful career.

## III. Problems in Education Sector

### (i) Role of technology in Education for Enhancing economic growth of Pakistan is insufficient

In education and skill development <sup>technology</sup> plays a key role. Spending on science and technology in the Pakistan is far below the global average. According to **UNESCO**, Islamic countries including Pakistan spends **0.34%** of total GDP. Therefore, Pakistan is finding it hard to increase the spending of GDP on technology.

### (ii) Flawed university system

Scientific progress in Pakistan is hampered by the immature university system. Most of the work of the university researchers is copy and paste.

that of the scholars, PhDs, and teachers access to already used data instead of generating a new one. This is certainly hampering the growth of development and it further adds to the economic problems due to the lack of skills.

### (iii) Greater disparities in education

Greater disparities in education are common. The cultural and social norms, poverty and lack of access to education makes it hard for girls to go to the school. This creates a huge difference in men and women education indicators. Women play a key role in socio-economic growth of country and if women are deprived of education how they will contribute positively to

to the economic growth of the country. According to WFP, 37% of girls aged between 5-16 do not go to school.

(iv) Low Public Spending on education

These low spendings on education limits the citizen from actively participating in economic and social activities. According to World Bank, Pakistan has 75% Learning Poverty and

(v) Students who are graduating - have little relevance to the demands of modern workforce

The country has failed to produce graduates who meet the demand of its rapidly growing technology sector.

This situation creates devastating impact on country's economy and society. This has led thousand of youth to unemployment.

~~211~~ Policies needed to be implemented to enhance work force and address unemployment challenges

(i) Regulations of institutions limit the no. of students graduate

Pakistani government need to regulate the ~~no.~~ institutions in terms of giving seats to the students. The government must regulate these institutions so that only skilled and quality students can be graduated.

(ii) Curriculum based on critical thinking

The curriculum in the education sector must be based on critical thinking and innovation. If the curriculum is effective enough.

It will lead the youth to learn new techniques and means of earning.

(iii) Investing in teacher training and professional development

For the better socio-economic growth of the country and in order to curb the challenge of unemployment the government should invest in teacher training. Because its the teachers who are capable of transferring skills to the youth.

(iv) Skill development and technology integration

The integration of technology can help foster the skills of the youth. Moreover, skill development programs can be benefited in tackling issues like unemployment.