

(1) SADIA NASEER

Question #02

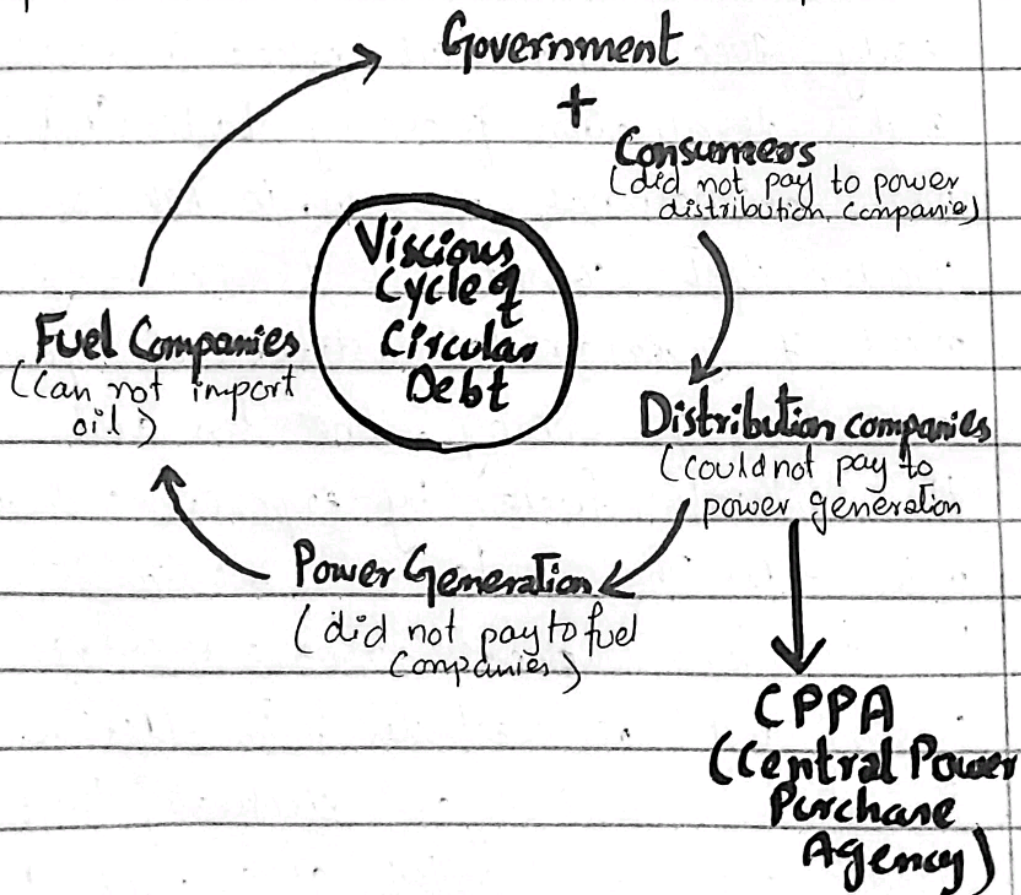
Root causes of Pakistan's circular debt issues in energy sector and sustainable solutions to break the cycle

INTRODUCTION

Circular debt is a vicious cycle where everyone in energy sector's supply chain owes everyone else money. The term echoed in early 2000 when oil prices increased and devaluation of money started. That were international reasons, in Pakistan, circular debt caused due to mismanagement of governmental institutional, expensive production of energy, line loss and this situation fueled by expensive contracts with IPPs. The sustainable solution is to transfer towards renewable energy sources and re-negotiate with IPPs. The transmission line loss and electricity theft should also be controlled at government level.

Conceptualization of the term 'Circular Debt'

The nomenclature has confused policy makers, as it is mere "accounting" problem, but it is result of deep structural problems. It is the cascade of unpaid bills, non-payment of subsidies and low recoveries where receivables of one component of power sector become a liability of another. According to report of 2023 the circular debt is ₹ 2.7 Trupees.



Root Causes of Circular

Debt Issue In Pakistan are:

(a)

Expensive electricity generation; burden increase on consumer and they can not pay bills

According to International Energy Agency:
"Pakistan generates ^{most} expensive electricity in South Asia, and third expensive in world".

The per unit domestically range between 34PKR — 60PKR, and commercially 46PKR — 90PKR.

(b)

Transmission line loss of electricity creates a gap of production and supply chain

The demand of electricity is already increasing and it is fueled by line losses during transmission. Almost 17% of the electricity lost during the transmission through lines, and creating gap between production and demand.

(c)

Electricity thefting and meter tampering; soaring challenge for government to fill this gap

The governmental level unreliable policies are fueled by the behavior of the consumers. Around 9-10% of the electricity has been theft by the consumers. This results in wide gap of cost of production and payment of bills. Moreover, meter tampering is also common to theft electricity.

(d)

Mismanagement of government and the unreliable policies are aggravating this debt

After the construction of Mangla and Tarbela Dam, government did not pay heed to more sustainable energy generation sectors. In 1994, government commenced the facilitation of IPPs to generate electricity. The contracts are biased and it has burdenized the power sectors. The aloof behaviour of government is worsening this debt trap.

(2)

(e)

Capacity payment to IPPs in dollars is worsening the situation of debt

Capacity payment means to pay to IPPs according to their production, not acquisition of electricity. Moreover, the payment is given in dollar, and the debt trap is widening continuously.

(f)

The trio of IMF, World Bank and government is not resolving this issue rather they are aggravating this; SAPs (Structural Adjustment Reforms)

The strict conditions of International Monetary Fund is exacerbating the situation. The cost of electricity increased and burden come on the shoulders of consumers. This is not relieving, infact complexing the issue.

(g)

Increased electricity demand with low bill recoveries

The high cost of electricity is

increasing, but the consumers' capacity is not in that condition to pay that heavy bills. The low bill recovery by DISCOs is chaining the whole string of debt.

(h)

Long-term generation contracts with IPPs

The long-term and biased contracts have been made by government. Those contracts should be re-negotiated, and capacity payment should be abrogated. Moreover, local IPPs should take payment in rupees not in dollar.

(i)

Aging of the electricity generating equipment; not produce energy as per need

The major line loss of the electricity is due to the old lines, that should be revamped to reduce the loss.

Sustainable solutions to break this cycle

(a)

Structural reforms: Moving to (RE)-
Variable renewable energy production
to reduce expensive costs of oil and gas

The expensive electricity is the biggest problem, so the alternative sources should be formulated like Hydal, Wind, Solar and Green energy. The imported LNG worth is \$3.4 B and it meet just 25% of the total demand.

(b)

Re-negotiations with IPPs on the contracts - No capacity payment would be implemented

It is evident that IPPs have brought Foreign investment, but it is need of the hour to re-settle the contracts that favours the national interest.

(c)

Revamping of transmission lines to reduce electricity loss

A 'BOT' - Build-Operate-transfer contract is used to revamp these transmission lines. This model is used to finance large projects through public-private partnerships.

(d)

Privitization of distribution sector (DISCOs) to smooth the billing payment

The distribution sectors or DISCOs is working under government, and that is why they not work efficiently as at the end government would definately borrow dollars, so they should be privitised.

(e)

Introduce advance metering system to curb the issue of electricity theft

The science and technology has

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done many advancements. It is essential to promote advanced metering system to control electricity theft.

(f)

Government can play its role in developing harmony among all concerned departments to smooth the process of payment.

The harmony is needed to maintain the smooth channel of power transmission. There should be harmony among DISCOs, GECOs, consumers and government.

CONCLUSION

The circular debt has become a vicious cycle. It is deep structural impairment and it needs holistic approach to retrack. The root causes are mismanagement, expensive contracts, energy and it can be tackled by first targetting the root reasons; expensive electricity production. The cycle should be broken down to avoid catastrophe.

Question#01

Role of Education and skill development in fostering economic growth, policies to enhance workforce quality and to address unemployment challenges

INTRODUCTION

Education and skills are the key factors behind the development of economy. Pakistan's founder stated: "Education is the matter of life and death for Pakistan. The world is progressing so rapidly that without requisite advance in education, not only shall we lag behind but may be wiped out altogether" Education can develop the economy by bringing innovation, entrepreneurship and skills can vanish the unemployment. Although Pakistan ^{youth is} has two third of its population, but there are many issues to upgrade the youth. Proper budget allocation to education sector, job opportunities, vocational training centres also formulated to develop economy.

ROLE OF EDUCATION AND SKILL DEVELOPMENT IN FOSTERING ECONOMIC GROWTH

"If a man neglects education, he walks lame to the end of his life" Plato

Education is the core of development of nations. Skilled labour can enhanced the country's local economy and consequently a developed nation formed.

(a)

Workforce productivity can be enhanced with positive use of skills and education

The education is crucial in the growing era of technology, the educated person can do smart work as compare to the uneducated workers.

(b)

Education brings innovation and technology to foster the economic growth

The innovation and technology

comes with the education as its by product. The innovative discoveries can bring prosperity in nation.

(c)

Education and Skills increase the competitiveness; results in economic growth.

"Intellectual property is a key aspect for economic growth"

As quoted by Craig Venter, education and skills increases the competition of production among nation and brings positive results.

(d)

Skills development can reduce the rate of unemployment

The unemployment is the curse which is deteriorating the new generation, but skills can reduce this aspect. Skilled person not only earn for himself, but also can carry skills and art to others.

(4)

(e)

Education fosters an entrepreneurial mindset and stimulate local businesses

Education is the key factor behind the progress of the nation or the person. Educated person easily find opportunities, and in this era, they can even earn through online small businesses.

(f)

Development of skills can enhance the local businesses; local economy develops

Pakistan's football making company in Faisalabad is well known due the art which is basically a skill which workers done by their hands, not by machines. Similarly, local industry can get development through skills.

(g)

The burden of imports reduce when local economy strengthen by skilled workers

The local economy can reduce can reduce the burden of imports by making own products.

The flailing economy of Pakistan is directly related to illiterate and unskilled population

Youth is the asset of any country. Pakistan is privileged to have two third of population as youth. But due to lack of education, skills and jobs youth is moving abroad or any other foreign country to settle there. According to Bureau of emigration and overseas employees, 450,110

Pakistanis left Pakistan in first seven months of 2023. This is the alarming news, the GDP growth or economy is already dwindling in uncertainty and the youth flight is exacerbating it. The main reason behind this is lack of education. According to Pakistan National Human Development Report "total 64% of youth is in Pakistan, 6% have access to higher education and to 29%, no education at all.

There is a dire need to tackle this situation.

Policies to enhance workforce quality and to address unemployment challenges

(a)

Investment in education sector - case study of Singapore

In 1960s, Singapore started to invest in human development resource.

In early 1970s, Singapore was exporting mainly textiles products.

In 1990s, there came a drastic change when Singapore started to export advanced electronics, and value added products. Pakistan should take lesson from this.

(b)

Foster vocational training sectors to enhance skills

All the Asian Tigers of Asia are the countries, who strongly enforced these vocational training sectors to enhance skilled labour.

(c)

Government should take initiatives to encourage entrepreneurship

Many university graduates are moving to foreign countries due to scarcity of jobs. Government should take initiatives to encourage the local small businesses.

(d)

Implementation of International agreements to boost literacy rate - Millennium Development Goal of UN

The Millennium Development Goal of UN from 2000-2015 was to take literacy rate upto 88%, and enrolment of students at primary level upto 100%, but this is not fulfilled yet. It should be focused to bring hang and development.

(e)

Support industries that drive technological advancements and job creation

The foreign investment can be

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through local businesses or small industries. Government should give them subsidies, as they are bringing technological advancements, and strengthening industrial sector.

(f)

Collaboration with industries to evolve the job opportunities

The education's purpose can be fulfilled when a person finds suitable job, where he can serve to strengthen economy. The government and industries should collaborate to enhance the job opportunities.

(g)

Strong measures should be taken to ensure free education upto 16 years —
Article 25A of constitution

The implementation of the article 25-A, compulsory education is important for the development of economy.

CONCLUSION

Education and skills are driving factors behind the growth of country. In Pakistan, the lack of attention towards education and skills is alarming. The governmental and societal level will and collaboration is the need of hour to strengthen the economy of the country. As said by Benjamin Franklin: "When men are employed, they are best contented" Nation needs contented men to tackle the flailed economy.