

# The Business

Chief Editor

Irfan Athar Qazi

E-mail: editorthebusiness@yahoo.com  
thebusinesslhr@gmail.com

Tijarat House, 14-Davis Road, Lahore  
0423-6312280, 6312480, 6312429, 6312462  
Cell # 0321-4598258

1st Floor Ahmed Plaza near Zong Office  
Susan Road, Faisalabad, Ph: 041-8555582

ISLAMABAD / RAWALPINDI  
N-125 Circular Road, Ph: 051-5551654,  
5532761, Cell # 0300-8567331  
KARACHI  
3rd Floor Kehkashan Mall 172-I Block II PECHS  
Opp Rehmania Masjid Main Tariq Road  
Ph: 021-34524550, Cell # 0300-8251534

## Debt servicing surcharge

The government has failed to get the green light from the Law Division to impose debt servicing surcharge on electricity consumers as a component of the finance bill because the Supreme Court prohibits the government from creating such powers through a finance bill. Subsequently, the Power Division introduced it as an amendment bill to the Nepra Act 1997 (Regulation of Generation, Transmission and Distribution of Electric Power Act 1997). Energy Minister Omar Ayub categorically denied seeking to amend the Nepra law through the finance bill but added that amendments to the law had been introduced in the National Assembly "to follow proper and due legislative process even if it takes a time consuming and longer route." In anticipation of the government's success in the passage of the bill, the Finance Ministry disbursed Rs10 billion in the section on subsidies in the 2019-20 accounts to pay for the sector's debt servicing costs and labeled it as part of the 1.2 trillion rupee Corona relief package. It is relevant to note that the government pledged in the first review of the ongoing Extended Fund Facility (EFF) programme in the section Memorandum on Economic and Financial Policies (MEFP) uploaded on the International Monetary Fund (IMF) website in December 2019 that "we will introduce new surcharges as needed to ensure that the circular debt reduction targets under the plan are met.

What is relevant to note is that the staff-level agreement on the EFF dated six months before in July 2019 did not refer to the imposition of surcharges with the MEFP, stating that: "the stock of circular debt stands now at 762 billion rupees, in addition to power sector liabilities of 807 billion rupees parked in PHPL through March 2019. These represent a significant fiscal risk that we must swiftly address. Thus we have established a task force on energy to advise the Prime Minister on the measures and key decisions needed to ensure a successful reform. The fact that passing on the buck to the consumer strategy continues to this day undermines the claims of the Energy Minister that the sector's performance is improving. The attempt to impose a surcharge to meet the debt servicing costs of the power sector cannot be supported; instead one would hope that the focus of the Power Division should be on improving governance with the impact clearly visible on the ground rather than on paper alone.



DR FARRUKH SALEEM

September 1913: The Karachi Electric Supply Company (KESC) was formed to meet the electricity needs of Karachi, a growing port city. In 1952, the Government of Pakistan nationalized KESC on the pretext of improving the infrastructure.

2005: The federal budget gave a subsidy of Rs6.5 billion to KESC. The same year, the government privatized KESC by selling a 66.4 per cent stake to Saudi Arabia's AlJomaih Group.

2009: The PPP government of Asif Ali Zardari allowed the Dubai-

## The KE journey

based Abraaj Capital – a private equity firm with absolutely no experience in managing a large power utility network spread over 6,500 square kilometers – take management control of KESC. Mr Arif Naqvi, a Pakistani businessman, founder and CEO of Abraaj, committed to inject capital "to finance new equipment at KESC's aging facilities, boost generating capacity and bring in management expertise (NAB is now investigating this commitment)."

2009-2013: The PPP government doled out Rs272 billion worth of subsidies to KESC.

2014: Akbar S Babar, one of the founding members of the PTI, filed a case with the ECP, alleging that the PTI received funds from foreign companies and foreign nationals through undeclared accounts.

2013-2018: The PML-N government doled out Rs144 billion worth of subsidies to K-Electric (remember, the subsidy prior to privatization was Rs6.5 billion).

2015: K-Electric claims that the Karachi Water & Sewerage Board

owes the power utility Rs35 billion. 2016: China's state-owned Shanghai Electric Power shows interest in acquiring shares in KE in a \$1.77 billion deal.

2018-present: The PTI government has doled out Rs100 billion worth of subsidies to KE.

April 3, 2019: A parliamentary committee was told that "K-Electric owes Rs125 billion to Sui Southern Gas Company (SSGC) and the National Transmission & Distribution Company (NTDC)."

April 5, 2019: Arif Naqvi was arrested by authorities in the UK on "fraud charges".

April 11, 2019: The US Securities and Exchange Commission filed a complaint against Abraaj and Mr Arif Naqvi in the United States District Court alleging that they "defrauded....United States investors by misappropriating over \$230 million." The complaint further alleges that the "Defendants' materially false statements, omissions, and deceptive acts violated the anti-fraud provisions....."

June 2020: Liquidators managing

# The two-year scorecard

MOHAMMAD ZUBAIR



The performance of the present government over the last two years has been dismal. The failure is spectacular – make no mistake about it. The numbers reflect a consistent slide in all macro economic indicators. In fact, forget the numbers – ask any Pakistani and everyone will confirm that their economic condition is much worse than what it was in mid-2018.

There's no surprise on the downward trajectory of the economy in the last two years. What is surprising is the degree or the depth of the fall. There are two major yardsticks against which the government's performance can be measured and termed satisfactory or otherwise. These include the PTI's economic plan and commitments made before the elections, and the performance of the last two years in comparison with that of the previous government. The economic indicators are one aspect but equally important is to see the government's performance on the governance front.

Measured on all counts, the current government seems to have miserably failed. This conclusion is not based on simple hearsay but on facts and figures. Let's have a more detailed review of these facts and figures. In its election manifesto, the PTI had committed reforms in key areas. After two years, the process of reforms has not yet been initiated. When we look at the actual performance, nothing has been achieved. In terms of tax collection, we are almost where we were two years ago. As per pre-election promises, we were to achieve tax revenue of Rs8000 billion in two years. Instead we are barely halfway there. Despite low inflation in the entire

PML-N period, tax revenues were doubled in five years. Since August 2018, we have seen four heads of FBR. Any government committed to reforms will not change an FBR head after every six months.

The energy sector has seen no reforms as well. The circular debt has gone up from Rs1100 billion in mid-2018 to more than Rs2100 billion at present. The present government had promised to completely eliminate circular debt by December 2020. As things stand, it can only get worse from here. High on the agenda of the PTI was its commitment to restructure public-sector enterprises through 'Sarmaya Pakistan'. Nothing has happened in this regard, with public-sector enterprises bleeding more heavily than at any other time in history. The outstanding debt of public-sector enterprises has gone up from Rs1.4 trillion in mid-2018 to around Rs2.8 trillion now – increasing at an alarming rate. Forget the reforms promised, in most cases even the boards have not been set up.

None of the other commitments made before the elections have been delivered – and in most cases not even initiated. The 50 lakh housing units promised are nowhere to be seen even after two years. Same is true for the one crore jobs that were promised before the elections. The comparison

with the previous government is inevitable. That is where the performance of the present government looks so poor. Any party taking over the reigns of the government faces many challenges and the PTI is no exception. But generally the economy was doing well in 2018 as most macro-indicators would confirm. GDP growth went up from less than 3 percent in 2013 to 5.8 percent by June 2018. By contrast, the current government's first year ended up with GDP growth nosediving from 5.8 percent to 1.9 percent for no apparent reason. The second year is ending with a negative growth – for the first time in 68 years. Inflation remained in control during the five years of PML-N rule, ending with less than 4 percent in 2018. The fiscal year that just ended shows inflation in double digits – the highest in more than eight years.

Close to three million people have lost their jobs in the last two years, while approximately 10 million people have gone below the poverty line. There's nothing unusual in these numbers since it's a natural consequence of low growth with high inflation. Fiscal deficit shot up from 6.6 percent in June 2018 to 8.9 percent in 2019 and is now expected to be above 9 percent – the highest in the last four decades. During the PML-N's five-year period, total public debt went up from Rs14 trillion to Rs24 trillion – an increase of Rs10 trillion in five years. The current government has added the same amount of debt in just two years (this is a net increase in both cases after repayments).

The real damage to the economy was done by increasing the discount rate from 6.25 percent in August 2018 to 13.25 percent within the first year of PTI rule. There was no possibility of the private sector borrowing at

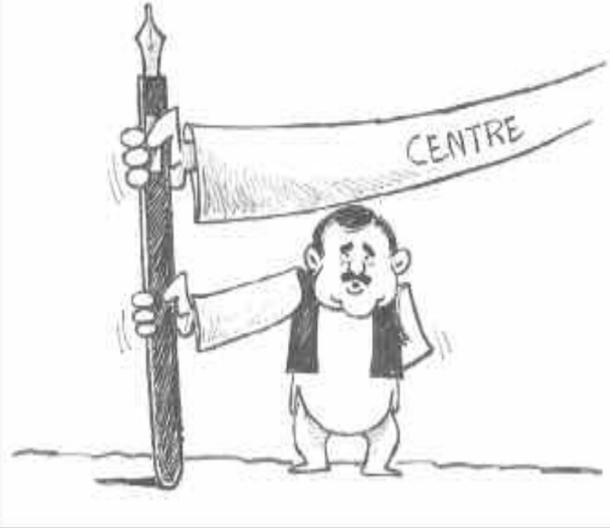
such high rates. The private sector was already demoralised for several reasons with the new government policies, and the high discount rate only added to the misery. On the governance front, the less said the better. The handling of the pilots licence issue is a classic example of how a normal situation can be turned into an international embarrassment for the country. The financial losses are one thing but more important is the country's image that had been tarnished beyond repair. Similarly, the sugar crisis has been lingering on for almost six months now; yet, the people continue to suffer as a result of one poor decision after another.

The present electricity crisis in Karachi is another example of how the federal government has messed up due to its inability to take timely decisions. The petrol crisis is another example of poor governance. The announcement of price reduction without ensuring adequate supplies led to the non-availability of petrol in most cases and, where it was available, we saw long queues of vehicles waiting several hours for their turn. Barely had the government managed this crisis that we saw another petrol crisis – this time due to the significant price increase. Ogra, the regulatory authority, was bypassed during this entire process. There is no ownership of responsibility and the ministers of course have defended their decisions – but most alarming is the PM's public stance on all these issues.

There is a general consensus that the government has failed to deliver in the last two years. And there is no indication that the next three will be any different.

The writer is former governor Sindh and former minister for privatisation.

BUZDAR DELIVERING WITH EASE: FAYYAZ CHOCHAN



## Endless brutality

ALI SUKHANVER

Jammu & Kashmir Social Peace Forum is a very strong platform always raising voice in favour of the wretched Kashmiris all over the world. Advocate Devinder Singh Behl is the Chairman of this forum and certainly he is not a Muslim but his only aim and objective is to fight for the rights of the suppressed Kashmiris which mostly are the Muslims.

That is the reason he is respected everywhere as an impartial and neutral type of political leader. Recently a picture of a three-year old boy went viral on social media. The picture showed the innocent boy wailing over the murder of his grand-father by the Indian soldiers in front of him. In a recent statement Devinder Singh Behl said condemning this cruelty that this brutal killing must be an eye-opener for the international human rights organizations and the international community.

He said that the three-year-old grandson crying near his grand-father's body was a reflection of Indian oppression on unarmed Kashmiris and this brutal act of Indian forces personnel was enough to shake the conscience of the world. Advocate Devinder Singh Behl appealed to the international community and international human rights organizations to play their role in ending Indian oppression in occupied Kashmir and resolving the lingering Kashmir dispute in accordance with the UN resolutions.

His statement shows that no religion, no caste, no creed encourages any type of injustice, brutality and cruelty against humanity. Human hearts are grieved at every injustice whether targeted one is a Muslim or from some other religion.

No doubt the atrocities of the Indian Army in the India-occupied Kashmir are the worst example of human rights violations. Kashmir has become a territory of fear and suppression where the innocent Kashmiris cannot even breathe freely.

The situation in India-occupied Kashmir is getting worse day by day and even the pandemic could not put a full-stop to the human rights violations there. From illegal detention of young Kashmiri leaders to the rape of Kashmiri women, the tale of brutality seems never ending.

According to the Kashmir Media Service, only in the month of June more than 50 innocent people were cruelly murdered by the Indian forces deployed in the Kashmir Valley, three women were shamelessly gang-raped and more than 25 houses and shops were destroyed. From January 1989 to June 2020, at least 95623 Kashmiris lost their lives at the hands



of the Indian forces and more than 11000 women have been molested during the same period as the Indian Army uses rape as a weapon against the local people. Without giving reference to the brutalities done by the Indian Armed Forces deputed in the IoK no report on human rights violations can be authentic. The helpless people on one hand have to face indifferent selfish attitude of the court of law and on the other hand illegal abduction, sexual harassment and use of pellet guns and shotguns by the troops.

In the last week of April 2020, a debate on 'Human Rights in Kashmir' was nominated by the Backbench Business Committee of the UK Parliament after a representation from Debbie Abrahams MP and Yasmin Qureshi MP.

During the debate, an assessment report on the situation in India-occupied Kashmir, five months after the Indian government's August 2019 revocation of the region's autonomy was also presented. This report was prepared by the US-based Human Rights Watch. The report said, "Since the restrictions in August 2019, the government has taken slow, reluctant steps to ease some of them, but is still falling far short in upholding Kashmiri rights. Many of the thousands arbitrarily arrested – lawyers, shop owners, traders, students, rights activists – have now been released, but reportedly only after promising not to criticize the government."

Some senior Kashmiri political leaders, including former chief ministers, remain in custody. The Police admitted at least 144 children had been detained. The government had also blocked phone lines and access to the internet.

The government was so fearful of criticism and dissent that it curtailed Kashmiris' ability to share news of births or deaths, call their doctors, order supplies, research term papers, file taxes, and trade apples and walnuts." This all is still happening there in the India-occupied Kashmir Valley and certainly history would repeat itself on the coming first anniversary of the Official Injustice done with the helpless people of the India-occupied Kashmir; so don't forget the coming August.

The writer is freelance

## Letters to the Editor

### Fear and loathing in COVID-19

While the coronavirus has affected the economic, tourism, social, religious and health sectors around the world, it has also had a profound effect on the human psyche. Constant confinement at home and lack of physical interaction with other people has increased psychological stress within people. Fear of the virus and lockdowns have forced people around the world to be confined to their homes. Due to this their daily routine has changed radically. The sector most affected by the virus is the education sector.

Teachers and children are very worried about when they will finally get rid of this mental anguish. Just as this uncontrollable virus has infected

the entire world, so it has spread in Pakistan. The first case of corona in Pakistan was reported on February 26 and then the number of cases increased sharply. Considering the seriousness of the situation, the government of Pakistan imposed a complete lockdown on March 23. Then on May 9, this complete lockdown was moved to 'Smart Lockdown', but the educational institutions still remained closed.

If we talk about the cause of mental impact in people, especially students, then the most important reason is the media. Sensational reporting and constant negative news led to fear and frustration among the people. This has especially affected the mental state of the students.

They do not see any ray of hope. The second cause of psychological stress is that, due to the closure of academic institutions and no special activities, most of the youth spend most of their time in

front of their mobile screen. Excessive use of these gadgets and social media has also severely affected the minds and health of both children and adults.

Afiab Ali Baig  
KARACHI

### Where's the vision?

If the criteria for nomination of the chief executive of the biggest province of Pakistan are honesty, humility and are irrespective of other key strengths necessary to run the same, why not to go for any visionless proven honest person? Vision, strong administrative skills, commitment are key success factors to achieve desired objectives for a vibrant Pakistan.

Engr Asim Nawab  
ISLAMABAD