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**ISLAMABAD:** The USAID and Planning Commission (PC) jointly said on Tuesday the country had lost 10 percent of its GDP in the last five years only in the power sector. In a report on causes and impact of the power sector circular debt in Pakistan, the two organisations said the power sector inefficiencies had cost the country significantly, slowing down the growth rate by at least two percent per annum. Dr Nadeemul Haq, Chairman of Planning Commission, while launching the report said that the study on circular debt is just the beginning and there are many important questions which still need to be answered. Since the energy sector is a complex issue, there is more need to come up with elaborate reports based on genuine indigenous research on the power sector with effective recipes to resolve the issues this bleeding sector is facing since long. Dr Haq came down heavily on the way the power sector was governed in the last five years. He criticised the bad governance in the power sector entities, saying that all the power sector entities need to be run under corporate culture and then they should be sold out ensuring zero interference of the government. The USAID representatives said on the occasion that US is happy over the launching of the report on circular debt and it would support the implementation of its findings. He said with the assistance of US, Pakistan would be able to generate an additional 1200MW power by 2014. By 2012, US had helped Pakistan to add 800MW through various initiatives taken by USAID. Shakil Durrani, former Wapda chairman, who is currently working as adviser to Ministry of Water and Power on Diamer-Bhasha Dam, said that in the power sector there are some uphill tasks which the government failed to complete. These tasks are the reduction of line losses and recovery of electricity bills, he said. He said the government claims these losses stand at 19 percent which is wrong. Factually they are at 25-28 percent and one percent means the loss of Rs7.5 billion. He also said that the recovery of electricity bills was earlier at 89 percent which has further dwindled to 84 percent. Durrani said Pakistan is rich in talented people but there is need to put the right person in the right place. Dr Nadeem did not agree, saying that there is huge deficit of quality human resources owing to which the capacity crisis has increased. However, the report prepared by USAID focuses on circular debt in 2011-12, saying that circular debt had swelled to around Rs872.4 billion between 2006 and 2012. It says that circular debt, if continued unabated, will precipitate social economic chaos in the country as it will prevent effective operation of new investment in the power sector. The monstrous circular debt has swelled mainly because of non collection of the revenue of Rs384.5 billion, loss of Rs72.2 billion owing to delay in tariff notification, loss of Rs53.3 billion in the head of non-implementation of fuel price adjustment, Rs292.91 billion loss because of tariff differential subsidy and loss of Rs69.55 billion because of not allowing the actual losses to be recovered. The report says that the tariff differential between the determined tariff and notified tariff stands at Rs3.08 which is to further swell to Rs6 per unit. Due to this the power sector has so far suffered loss of Rs98 billion. Further loss of Rs115 billion on account of structural anomalies in tariff regime is also on the horizon. The USAID has highlighted the reasons for these colossal losses. These have been: difference in rates of Gencos; delays in tariff determinations and notification, line losses beyond Nepra's limits, failure in recovery of bills and payment of penalties to IPPs as well as interest on existing loans taken by the state-owned power sector. USAID and PC stressed the need to raise the notified tariffs up to the level of MDT (minimum determined tariff) and then gradually moving to differentiated tariffs in some of the Discos if not all. Other remedial measures have also been suggested.

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