

Financial sector should play its role in resolving energy crisis in the country: Yaseen Anwar

Mr. Yaseen Anwar, Acting Governor, State Bank of Pakistan has stressed upon the financial sector to play its due role in resolving the ongoing energy crisis in the country, which is hampering both the business activities and the life of the common man. 'An early resolution of this critical issue is in the interest of all, including the banking industry itself,' he added.

Presiding over a meeting of the Chief Executives of banks at SBP, Karachi convened for resolving the problems being faced by Independent Power Projects (IPPs), Mr. Anwar assured the banks that the State Bank would facilitate them in case they require any regulatory support towards early resolution of the circular debt crisis.

He pointed out that the Prime Minister's high-powered committee is focusing on remedial steps to develop a long term solution of the energy crisis. Mr. Anwar, however, emphasized that a quick remedy is sought to overcome the immediate financial requirement.

It may be recalled that the Prime Minister recently constituted a high level committee for resolution of energy-related issues facing the country of which the Acting Governor, SBP, Mr. Yaseen Anwar is a member.

Mr. Abdullah Yusuf Chairman, Independent Power Producers Advisory Council and the representatives of IPPs briefed the meeting about the severity of the issue and identified the factors behind the crisis. They informed the meeting that Government of Pakistan (GoP) is considering various short and medium term options for resolution of the energy crises faced by the country on a sustainable basis, which include possibilities like use of coal as a substitute to oil, import of gas as raw material and the construction of small hydel power projects.

During the discussions, it was emphasized that the issues being faced by the IPPs are primarily driven by the paucity of short-term liquidity. A number of proposals were also presented to the banks for addressing the issues including allocation of working capital limits to PEPCO, extension of L/C time period from 60 days to 90 days for the IPPs and the conversion of outstanding circular debt into long term Pakistan Investment Bonds (PIBs).

While appreciating the sincerity of the GoP in early resolution of the issue, the banks suggested that the GoP should first focus on resolution of its direct circular debt of Rs 300 billion through issuance of PIBs on priority basis, whereas financing to individual IPPs (existing and incremental) would be taken care of by the banks individually on case-to-case basis. They also proposed that the GoP may look into the possibility of incremental financing through PIBs, which is considered to be more viable and would help distribute the responsibility for financing to a larger number of banks/development finance institutions (DFIs).
