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*Full Length Research Paper*

## No More Production but Good Governance!

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### ***Abstract***

Energy crisis, as a global issue has become a critical issue for the Pakistan. Particularly acute governance in the energy sector has crippled the whole economy. Significant rise in the demand of energy over past ten years was a potential opportunity for Pakistan but failed to match this growth due to bad governance. As Pakistan have some remarkable assets like world's largest gas distribution and transmission networks with talented and professional human capital. So Pakistan has sound resources and multiple options of low cost energy in the region, but there is a need to create an environment with efficient management, check and balance in the transmission and distribution system. Pakistan cannot overcome this critical problem by producing more energy, but with better governance. In conjunction with a subsidy and systematic failure to ensure proper revenue collection, the financial ability of energy sector players is significantly undermined. Lack of sufficient capacity to make timely and adequate investments gives reason to push that Pakistan is touching the summit of energy crises. Pakistan should overhaul its current patchwork of energy policies in favour of a comprehensive and clear-cut policy that encourages economic and social development through reliable energy supplies.

**Keywords:** Energy, Governance, Gas distribution and transmission networks.

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### **INTRODUCTION**

There is a common characteristic between developing countries, having enormous problems and Pakistan is no exception. As Pakistan is touching the summit of energy crisis, even though it is blessed as being strategically situated close to regional energy export sources in West and central Asia. Energy is an economy driven force Pakistan immediately needs to come out of this problem in order to achieve the projected growth rates. No doubt numerous positives and well meaning initiatives have been taken in the past being proactive but lack of good governance boosts Pakistan as a leader in the energy sector in the region by a host of big crisis and shortfall. As Burki (2008) highlighted the causes of the economic problems of

Pakistan and argued energy crisis contributed a lot from hurting people to damage the whole economy. This problem is getting teen age as Pakistan was enjoying the energy surplus in the back late 1990's. Continuous increasing energy shortfall pushed many industries to go across the border, which resulted in low GDP and high unemployment. Alahdad (2012) addressed the same issue and found the key reason behind this scenario is the policy makers. He further suggested the restricting and consolidation option of all policy institutions as a single institution under one ministry of energy.

It will not be doubtful to say that the energy issue is the cornerstone of the five year plan of Government of Pakistan but the currently deficits is touching, significant

level of 9000 megawatts demonstrating almost half of the total national demand. To overcome this situation government took many initiatives and started several projects but the problem is grown beyond any instant solution. Along with these projects Government of Pakistan is also working on different proposals offered by different countries. We have no doubt on government we are also hopeful that they will not only solve this problem, but also tries to make electricity cheaper by utilizing different options what they have in terms of wind, coal reserves act.

Overwhelming all these facts, revival is within reach. The aim of this paper is not finding the cheapest way to overcome this problem, but our objective is how good governance can help to Pakistan's Government to deal with this arming situation. If Pakistan didn't replace the bad governance with good governance, Government's all efforts will go worthless. Installing quality equipments and making dams is matter, but the utilization of these equipments with proper way has mattered a lot. If you have good management, no loophole and no corruption in the system, you can survive for a long time even more than the expected life. On the other hand, if all above said things happening in the system, Pakistan always should keep ready to face the worst situation in the future.

## LITERATURE REVIEW

The rise in global energy demand encouraged researchers to find the different ways to fulfill the current and future challenges for this important input to run the economies smoothly. There are many analyses available in which researchers claimed that Pakistan's current energy deficit is primarily due to demand and supply gap and secondary from the governance issue. They are right up to some extent, but it doesn't mean that governance is not essential issue. Kugelman (2013) by doing commentary on the Pakistan energy crisis explained "Pakistan's energy problems are deep and complex, and are rooted more in shortages of governance and political will than of pure supply". Meanwhile, he also added "Pakistan is blessed with ample indigenous energy resources; it is especially rich in natural gas, hydroelectricity, and coal". This national bureau of Asian research report shows Pakistan have potential resources to get rid of this problem but Pakistan energy policies comes under many government agencies and institutions, and lack of proper communications and corruption resulted current terrible energy deficits.

Currently crisis is the consequences of the past and present poor management. As asif (2011) explored that severe electricity crisis is the fruit of failure of previous government to timely react to the situation. He suggested very suitable and practical solutions for example 1500-2000 MW capacity can be restored cutting the transmission and distribution losses. At the same time power theft can be easily controlled with the true will. In turn private companies due to shortage of fuel supply problem as lack of funds, they remained off grid which cost Pakistan 2000-2500 MW of potential thermal power generation ADB (2010); Bhutta (2011).

Similarly Khalid *et al.*, (2012) examines the Pakistan energy issue. The study evidence for Pakistan reveals that there is much scope for the governance failure. Qureshi, (2007) addressing the energy policies and strategies in Pakistan stated, as state owned institution WAPDA is dominant in energy sector and involved huge investment is unable to deliver their services due to political interference and corruption.

Energy prices also contributed a significant role to push country in darkness. As the inability of the DISCOs to pass on the cost of electricity to consumer and no increase by the government in the time span of 2003 to 2004 and 2006-2007 resulted in losses which continued to build up to unmanageable limits. Even though 68 percent energy was produced by thermal based on imported oil and gas which created a huge gap between cost and price that increase in tariffs in the coming years could not make up for the cost price deficit.

Malik,(2012) highlighted the governance issues in Pakistan energy sector. She explored that more than 20 organizations are involved in the sector, suffering from lack of communication and coordination which contributed a lot in the prevailing situation. She further pointed out that big state owned organization WAPDA suffering from the political interfering and corruption in their transmission and distribution system. All these things altogether affect the financial health of this entity. Due to this WAPDA is unable to repay its debt to supplier which stopped their supply and output came in terms of deficit.

Pakistan has been realized that power generation and transmission efficiency is impossible without the involvement of private sector. To pursue this Government of Pakistan in 1994 and 2002 called independent power producers for the investment in power sector. Again due to the Government delays in the payments create problems for IPP's and affect their financial health. Former governor of state bank of Pakistan Dr Ishrat Hussain (2013) pointed out Pakistan

capabilities and self sufficiency's not only in the energy sector but also pointed out that we have big exporter of dairy products, no one exporter of rice in the world. Being a third biggest economy of Asia we have more than enough resources but there is need of good governance in place. A.Q.Suleri (2013) expressed the energy issues, it is true that current energy shortfall cannot be eliminated overnight and it will be injustice to require it. But some actions can be taken within no time which can improve the situation especially in policy drafting. He demanded competent and apolitical candidates should be recruited who draft the policy and help us to implement it efficiently and effectively to overcome this issue.

### **Current Situational Analysis**

Firstly and most critical issue in energy sector is the lack of truly integrated and consistent energy policy in Pakistan. Practicing multiple policy objectives through one energy policy can potentially undermine the actual achievement of energy policy objectives of Pakistan.

Secondly there is an important factor for this crisis is the lack of communication between all the relevant institutions. These numerous institutions not only create the miscommunication but also lot of cost as well. More interesting thing in case of Pakistan is that government is on one hand is the biggest debtors and at the same time is the biggest creditor as well. They didn't utilize this relation but handle it in way that it becomes their problem.

Thirdly the state owned organizations are the biggest issue for the government of Pakistan. Although all major state owned state organizations are producing the losses for the government of Pakistan. As there is a political influence on these institutions and their consequences came in the form of circular debt of RSs. 872 billion for 2012-2013. Similarly Dr. Najam there is much more crisis of good governance than technical issue including circular debt, rental power etc.

Finally the issues of transmission and distribution losses which are not only contribute this load shedding but also affected the prices of per unit significantly. This phenomenon is true for many countries like South Korea and china but at very low percentage and due to old age plants. But in case of Pakistan, story is totally strange, which is 26% of total losses are caused by transmission and reaming is caused by distribution process. This 64% contained significant portion of theft which is again happened just because of bad governance.

### **CONCLUSION AND SUGGESTIONS**

It is not our intention to prescribe a particular course of action. We want to attract the policy makers and alert them to by highlighting core issues which created prevailing embarrassing situation in Pakistan.

Staring from the dream of Pakistani Government to provide affordable energy to the poor should be separately, through social policies and supportive government programs, without impede the investment decisions and managerial practices of energy companies. There is urgent need of effective energy policy implementation through bureaucratic improvement and administrative processes to assure a timely completion of energy projects. Furthermore, intra-ministerial and inter-governmental coordination should be enhanced.

To give the greater degree of liberalization in power sector, allowing private investment along the entire value chain: generation, transmission and distribution. On the other hand, considerable portion of the sector remain under the influence of both central governments. The power sector faces a shortage of fuels, insufficient infrastructure and financial weakness of state-owned power companies due to a systematic weakness to enforce legitimate revenue realization. Effective policy implementation to attract private investment is necessary to ensure a reliable and adequate access along with suitable and safe environment.

Pakistan requires considerable investment to meet its growing energy demand and provide access to all citizens. Investment in the energy sector should focus on adopting the latest, green growth energy technology for future. The nuclear sector is controlled by government in Pakistan. Pakistan's unique nuclear program, which aims to utilize domestically abundant resources, can be carefully assessed in terms of its role in Pakistan's long-term energy security and sustainable development.

To complete the transformation of Pakistan's energy sector into an open and functioning energy market, the country needs strong political leadership to convey clear policy messages. Frequent populist remarks, which, for example, promise of access of energy for all, promise cheap electricity, are not conducive to creating the right public perception of energy as a commodity, not an entitlement. Furthermore, in the context of an increasing need for investments and the integration of Pakistan's energy sector into the global energy market, Pakistan needs to align its energy policies and institutions with global practices.

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