

Press Release

The Daylight Robbery by Independent Power Producers (IPPs) Reveals the True Face of Democracy in Pakistan

The Pakistan power sector circular debt, approaching two trillion Rupees, along with interest payments of 2.8 trillion rupees, have broken the spine of the entire economy. Only now that it has crippled the country, has the Bajwa-Imran regime been compelled to re-negotiate the terms of the power sector agreements. These agreements resulted in 570 billion rupees payment to the privately owned independent power producers (IPPs) annually, as “capacity charges,” which was paid out without the need for them to produce even a single unit of electricity. Sixteen IPPs alone earned a staggering 415 billion rupees on an investment of a mere 50 billion rupees. Similarly, many IPP’s are earning a 50 to 80 percent annual return on equity investment, i.e. doubling their investment in just 18 months. There is evident looting in perfectly “legal” agreements with the IPPs. Moreover it is happening in a country whose annual development budget for the current financial year is just 480 billion Rupees.

How are such agreements signed in the first place? Who authorized the rulers to sign such exploitative agreements, opening the doors for ‘legal’ day light robbery? The answer is simple - Democracy! Democracy does not restrict legislation to all that Allah (swt) has revealed, the Noble Quran and the Sunnah of the Prophet Muhammad (saw). Democracy instead grants sovereignty to the parliament, authorizing its members to enact any law and policy as they deem fit. Therefore, in contravention of Shariah ruling, the electricity generating sector was handed over to the private sector, under the dictates of the global financial institutions in the nineties of the last century. Since then, trillions of Rupees have been looted from the hard earned income of the masses in the last three decades, to fill the coffers of a few capitalists. Whether it is the power policy of 2002, or the power plants commissioned in 2013 or 2015, one thing is common in all power policies, the looting of the people to fill the coffers of the capitalists. Indeed, democracy is only a veil to cover the pillage and plunder by a select band of capitalists.

In these agreements, the government provided sovereign guarantees for the payments in dollars to global investors, besides protecting them from fluctuations in oil prices. Capacity charges were agreed to guarantee promised return on investment, return of bank loans, as well as meeting operational expenditures. In 2019-20, twelve small IPP’s billed 79 billion rupees for electricity charges that included 53 billion rupees capacity charges, so a staggering two thirds of the bill were capacity charges. The amount on capacity charges now stands at 900 billion, an amount that is to be

paid even if not a single unit is produced by these IPPs. This payment, along with other charges, including compound interest, balloon to around 2000 billion rupees.

Blind pursuit of Capitalism has caused misery to millions of poor. Democracy facilitates the private ownership of heavy industry, power sector, telecommunications and other infrastructure projects, thus depriving the state of trillions of rupees in revenue that can be used in looking after the masses, instead of divert funds to the pockets of a few super rich capitalists. What sort of economic model is this, in which profit is for the capitalists, but losses are to be borne by the state and masses, burdening the state and the people with circular debt? Indeed it is now an open secret that the capitalist policy of private ownership of public resources and capital intensive industry is nothing more than a tool to rob the masses.

The Messenger of Allah (saw) clarified to Muslims 1400 years ago that, «الْمُسْلِمُونَ» **“Muslims are partner in three things; water, pasture lands and fire (energy)”** (Ahmed). Islam resolves the issue of expensive electricity and circular debt in the power sector from its root. In Islam, privatization of energy resources, energy producing facilities and distribution infrastructure is Haram (forbidden). They all are public property and the state directly supervises them on behalf of the public, so revenues generated from them are spent on the people. Thus, profits from oil and gas companies, in extraction and generation, in transmission and in distribution, as well as profits on the investments of capital intensive industries, will all go to the state treasury. A far cry from democracy, where these funds go directly into the pockets of the private sector. Furthermore, the Khilafah state (Caliphate) will roundly reject interest based loans and investment. By doing so billion of Rupees which now goes to the banks from the energy sector profits, as interest charges, will also be saved. If the private sector was not in control of energy resources, its production and distribution, the 2000 billion Rupee circular debt claimed by these capitalists would never have burdened the state treasury. Indeed, the re-establishment of Khilafah will not only direct the Ummah towards the pleasure of Allah (swt), it will usher a new era of prosperity because of the implementation of the economic system of Islam, which will ensure that revenues from public properties are only spent on the people.

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