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Telecom funds diverted to Circular Debt

Govt says issue being discussed

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KARACHI: The government has diverted the telecom sector's Universal Service Fund (USF) to the Federal Consolidated Fund (FCF) to be used as payment for circular debt, sources told The News on Tuesday.

Rs60 billion USF will be diverted to FCF and is primarily funded by payments from licensed telecom operators.

As per their agreement with the government, two percent of the revenues should be contributed to the government funds – 1.5 percent to the USF and 0.5 percent to the ICTR&D fund respectively.

Notifications have been issued in this regard on June 29 by Ministry of Information Technology (IT & Telecom Division). They state: "USF Rules 2006: Rule-3(21: Existing Rules 3(2) shall be substituted by the following: The USF shall be kept in the Federal Consolidated Fund and the Ministry of Finance shall release funds of the USF, in accordance with the procedure laid down in the: Rules, through budgetary mechanism."

When The News tried to contact the Ministry of Information & Technology, it was informed that a meeting is being held between the Ministries of Finance and Information Technology on the matter and media will be informed accordingly.

According to the sources, the amendment has been done without approval of the ICTR&D board and USF board. Wahajus Siraj, Internet Service Providers Association of Pakistan (IsPak) convener, told The News that the USF amount – which is for the expansion of telecom and information technology sector in rural and under developed areas – will now be used to settle government liabilities in power sector. Licensed telecom operators

have been earnestly contributing 1.5 percent of their gross revenues to the USF for last many years. The sole objective of the fund is to promote telecom infrastructure in Pakistan's under developed areas.

Section 33(B)(2) of Pakistan Telecommunication (Re-organisation) Act, 1996 states "the USF shall be utilised exclusively for providing access to telecommunication services to people in the un-served, under-served, rural and remote areas and other expenditure to be made and incurred by the Federal Government in managing USF" Siraj said.

He said the USF contributions are not tax revenues for the federal government and its diversion to FCF would be illegal and contrary to the provision of Pakistan Telecommunication (Re-organisation) Act, 1996. Such diversion would also infringe on the licensed rights of all telecom operators and be contrary to USF Rules.

The telecom sector has already been subjected to unprecedented heavy taxes by the government, discouraging investors. Any move to divert USF for other governmental expenditure would tarnish the image of Pakistan in the eyes of national and international investors' community and would seriously hamper efforts to generate decent revenues from forthcoming auction of 3/4 G spectrum, Siraj said.

He said the government should restrain from any such move as it is not in the interest of the country and the telecom sector.

Another telecom operator on the condition of anonymity said that if this is being done it is violation of the rules. Licensed operators are paying huge amounts for this and the sole purpose is to develop the IT & telecom sector in the under developed areas.