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# ANNUAL DEBT ANALYSIS REPORT

## 2023-24

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Finance Department, Government of Balochistan



**DEBT, RISK & INVESTMENT MANAGEMENT UNIT**  
(FINANCE DEPARTMENT)

## **PREFACE**

It is my privilege to present the 8th Debt Analysis Report of the Government of Balochistan. In the context of ongoing economic challenges and opportunities, understanding the debt profile of the province is crucial for informed decision-making and long-term fiscal health.

Public debt serves as a vital tool for funding essential services and infrastructure projects that benefit communities. However, it is imperative to balance borrowing with responsible financial management to ensure and maintain the province's economic stability and growth.

This report provides a thorough analysis of the current debt situation, tracing its historical development and highlighting key trends. It also outlines the measures the province is taking to manage public debt effectively, including strategies for improving revenue generation and optimizing expenditures.

The province's commitment to transparency and accountability is at the forefront of this document. It is believed that by sharing this information, we can foster a greater understanding of our financial landscape among citizens, policymakers, and stakeholders alike. An informed public is essential as we navigate the complexities of fiscal governance and strive to create a sustainable economic future for all residents of our province.

I extend my appreciation to Debt, Risk & Investment Management Unit in formulating of this report including but not limited to reconciliation, portfolio analysis, risk analysis etc. Together, we can work towards a resilient economy that meets the needs of our present while safeguarding the prosperity of future generations. Moreover, a copy of this report can also be easily accessed on [www.finance.gob.pk](http://www.finance.gob.pk)

**(BABAR KHAN)**  
**Secretary Finance**  
Government of Balochistan

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## ABBREVIATIONS

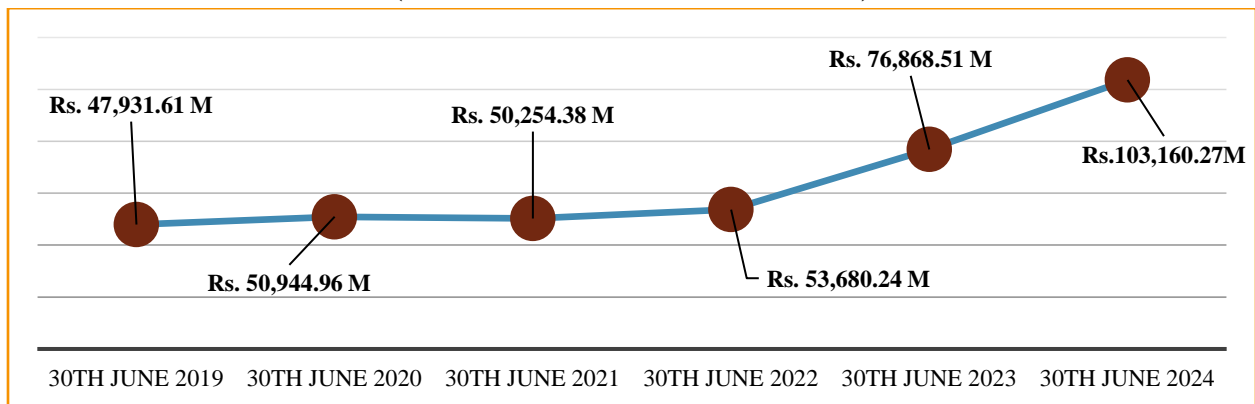
ADB	Asian Development Bank
ATM	Average Time to Maturity
ATR	Average Time to Re-fixing
BC	Base Currency
BHCP	Balochistan Human Capital Project
BIWRM&DP	Balochistan Integrated Water Resources Management & Development Project
CIDA	Canadian International Development Agency
CDL	Cash Development Loan
DMU	Debt Management Unit
DOD	Disbursed Outstanding Debt
EAD	Economic Affairs Division
FPA	Foreign Project Assistance
GDP	Gross Domestic Product
FG	Federal Government
FY	Financial Year
GLLSP	Gwadar Lasbela Livelihood Support Project
GoB	Government of Balochistan
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFAD	International Fund for Agriculture Development
JICA	Japan International Cooperation Agency
NEC	National Economic Council
NFC	National Finance Commission
PKR	Pak Rupees
PSDP	Public Sector Development Programme
SDR	Special Drawing Rights
WAPDA	Water and Power Development Authority
WRMP	Water Resource Management Project

## 01.INTRODUCTION

1.01 The debt portfolio of the province consists of both foreign and domestic debts. The foreign debts are long-term concessional external debts obtained from multilateral and bilateral institutions. These debts have been availed through the Economic Affairs Division (EAD) for the Government of Balochistan (GoB) and were transferred under the same terms and conditions to the province through a relending mechanism (on-lent loans). These loans were secured with the aim of supporting the province's economic growth and addressing economic and social gaps through development projects in various socio-economic sectors. The province has also entered into a composite Cash Development Loan (CDL) arrangement with the Federal Government for the development of the Right Bank Outfall Drainage in the Naseerabad Division by WAPDA.

1.02 The total public debt portfolio of the province stands at Rs. 103,160.27 million as of June 30, 2024. The portion of foreign debts constitutes 95.87% of the total. This highlights a significant level of exposure to exchange rate risk due to the major foreign loans in the province's debt profile. The debt position of the province over the last few years is shown in **Table 1.1**:

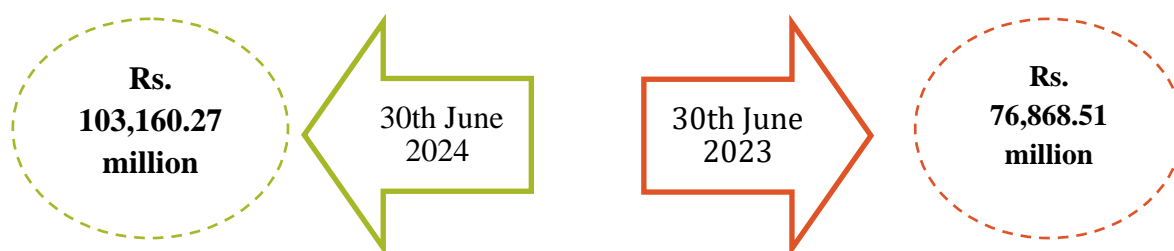
**(Table 1.1: Debt Portfolio Position)**



1.03 The above graph clearly indicates an upward trend in the province's debt portfolio over time, mainly attributable to fluctuations in exchange rate parity and the reimbursement of ongoing debts. The exchange rates used for compiling debt data—such as borrowing, debt servicing, disbursements, outstanding debts, and debt projections—are communicated by the EAD/Finance Division of the Government of Pakistan to the province for the translation of base currencies into Pakistani Rupees.

## 02.DEBT PORTFOLIO OF THE PROVINCE

2.01 A comparative analysis of the province's debt portfolio, including both foreign and domestic debts, as of June 30, 2024, and June 30, 2023, is depicted below:



2.02 The above comparative analysis indicates an upward surge in the province's debt portfolio. The debt profile increased by a substantial amount of Rs. 26,291.76 million during the period from June 30, 2023, to June 30, 2024. The impact of the increase or decrease of each currency on the debt portfolio in Pakistani Rupees is shown in **Table 2.1:**

**(Table 2.1: Movement on Debt Portfolio during the period)**

Base Currency	<-----Rupees in Million----->			Growth /(Reduction) %
	30 <sup>th</sup> June 2024	30 <sup>th</sup> June 2023	Increase↑/Decrease↓	
<b>US Dollar</b>	88,212.44	66,897.723	21,314.72 ↑	31.86%
<b>Japanese Yen</b>	9,623.53	6,988.194	2,635.33 ↑	37.71%
<b>Canadian Dollar</b>	5.74	10.071	(4.34) ↓	(43.05%)
<b>Deutsche Mark</b>	1,054.12	1,011.836	42.29 ↑	4.18%
<b>Pak Rupees</b>	4,264.45	1,960.687	2,303.76 ↑	117.50%
<b>Total</b>	<b>103,160.27</b>	<b>76,868.511</b>	<b>26,291.76↑</b>	<b>34.20%</b>

2.03 **Table 2.1** clearly depicts that the loan portfolio of the province has increased by a substantial percentage of 34.20% as of June 30, 2024. Several factors contribute to this increase in the debt portfolio; however, the rise in the province's debt can primarily be attributed to the effects of the following three factors:

- (a) Disbursement and Repayment Effect;
- (b) Foreign Exchange Rate Fluctuation;
- (c) Transfer of Cash development Loan (CDL)

**(a) Disbursement and Repayment:**

2.04 The debt portfolio also changes due to disbursements (receipts) from ongoing debts, the inclusion of new debts in the portfolio, and the repayment of principal on closed debts. During this period, the Government paid installments related to various closed loans as per the financing agreements and amortization schedules, while also receiving disbursements from existing ongoing

loans and new loans. The effects of disbursements and repayments in base currencies are shown in **Table 2.2** below:

**(Table 2.2: Disbursement and Repayment Effect)**

Description	Amount In Million (Base Currencies)				
	\$	¥	C\$	DM	CDL Rs
Opening Balances 1 <sup>st</sup> July 2023	268.666	3937.011	0.055	7.420	1,960.687
Disbursements from July 2023-June 2024	66.856	2,020.339	0.000	0.000	2,348.822
Repayments from July 2023-June 2024	(26.004)	(649.281)	(0.028)	(0.742)	(45.063)
Closing Balances 30 <sup>th</sup> June 2024	309.517	5,308.069	0.027	6.678	4,264.446
<b>Percentage change</b>	<b>15.21%</b>	<b>34.82%</b>	<b>(50.00%)</b>	<b>(10.00%)</b>	<b>117.50%</b>

2.05 **Table 2.2** clearly depicts that the loan portfolio denominated in US dollars, Japanese yen, and Pakistani Rupees has increased due to over disbursement compared to repayments. It is important to note that there was an unspent balance of US\$ 125,041 of a loan from IFAD (GLLSP Project). The Government of Balochistan had issued a release authority to the State Bank of Pakistan, informing the Economic Affairs Division of the repayment of this unspent balance, and the amount was adjusted in the debt portfolio accordingly. However, in the current financial year, it was revealed that the amount was not repaid to IFAD, therefore, the amount is now reflected in the disbursement. Moreover, the disbursements shown in **Table 2.2** also include the impact of the following:

- (a) Third-party payments (Direct payments) made by Project Management Units (PMUs) of various Projects;
- (b) Disbursement received in Federal Consolidated Fund instead of Provincial Consolidated Fund; and
- (c) Interest Capitalized of development project.

2.06 Third-party payments (Direct payments) made by Project Management Units of various Projects are shown at **Table 2.3**;

**(Table 2.3: Direct Payments)**

S. No	Name of Project	Currency	Amount
01	Balochistan Integrated Water Development & Management	\$	936,961.70
02	Emergency Flood Assistance Project	\$	617,430.84
03	Ministry of Climate Change and Coordination	¥	430,000,000

2.07 Moreover, it is important to highlight that two payments of ¥ 270.00 million and ¥ 160.00 million from the World Bank's Integrated Flood Resilience and Adaptation Project were disbursed by the PMU to the Ministry of Climate Change and Coordination from the Federal Consolidated Fund. Although these amounts were not received in the Provincial Consolidated Fund, their impact has been included in the loan portfolio due to the loan of the Government of Balochistan.

Additionally, the disbursement includes the capitalization of interest amounting to US\$ 277,312.07 and US\$ 331,846.24 for the Balochistan Water Resources Development Sector Project.

**(b) Foreign Exchange Rates Fluctuation:**

2.09 An important impact on the province's debt portfolio is due to fluctuations in foreign exchange rates. The exchange rate parity of Pakistani Rupees to borrowing currencies is communicated to the province by the EAD/Finance Division each year, and the loan portfolio is adjusted accordingly. Moreover, the majority of the Government of Balochistan's debts (IDA and IBRD) have been contracted in SDRs (Special Drawing Rights) due to favorable terms and conditions, including service rates (interest rates), commitment charges, and a maturity profile ranging from 20 to 40 years with grace periods of 5 to 10 years. According to the financing agreements, repayments will be made in US dollars; therefore, at the time of repayment, SDRs must be converted into US dollars, and the balances are adjusted accordingly.

2.10 The exchange rate for FY 2023-24 has been used to analyze the impact on the debt portfolio. The effect of changes in the exchange rate is shown below in Table 2.4:

**(Table 2.4: Exchange Rate Effect)**

Description	\$	¥	DM	C\$
Exchange Rate Rupees to BC 2023-24	285.000	1.813	157.850	208.562
Exchange Rate Rupees to BC 2022-23	249.000	1.775	136.366	183.115
<b>Exchange Rate Effect</b>	<b>14.49%</b>	<b>2.14%</b>	<b>15.75%</b>	<b>13.90%</b>

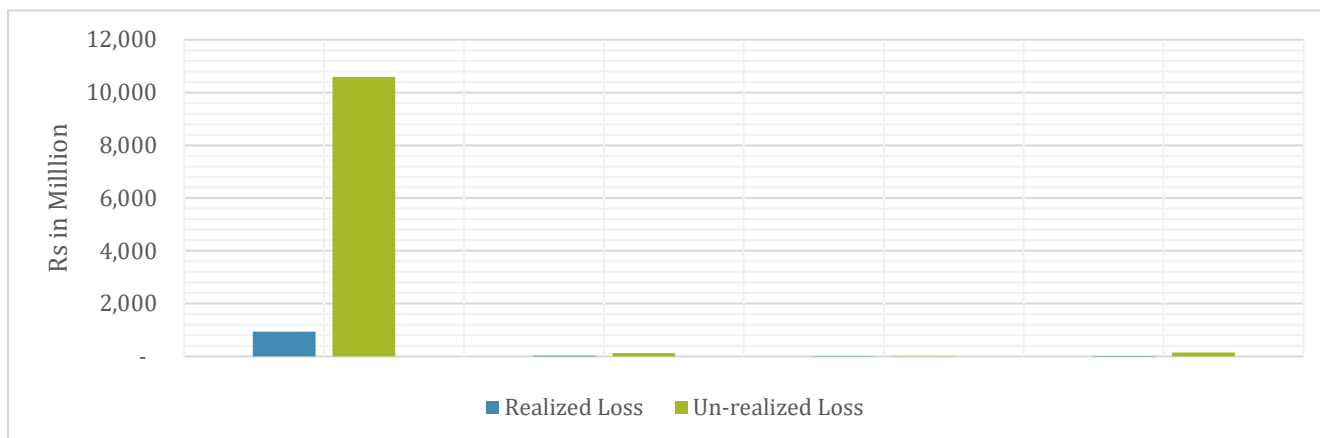
2.11 **Table 2.4** shows that the Pakistani Rupee has substantially depreciated against all borrowing currencies during the financial year, resulting in an overall foreign loss. Even a mild change in the exchange rate can significantly affect the province's debt portfolio. The total loss in the debt profile is attributed to both realized and unrealized losses. In monetary terms, the currency-wise forex realized and unrealized losses/gains are shown in **Table 2.5**, along with a graphical presentation in **Figure 2.1**:

**(Table 2.5: Realized and Un-realized loss/gain)**

Base Currency		Realized Loss	Un-Realized Loss
US Dollar (\$)	Rupees in Million	936.14	10,583.39
Japanese Yen ¥		24.67	124.93
Canadian Dollar (C\$)		0.70	0.70
Deutsche Mark (DM)		15.94	143.47
<b>Total</b>		<b>977.45</b>	<b>10,852.49</b>



**(Figure 2.1: Graphical presentation of Realized and Un-Realized Loss)**

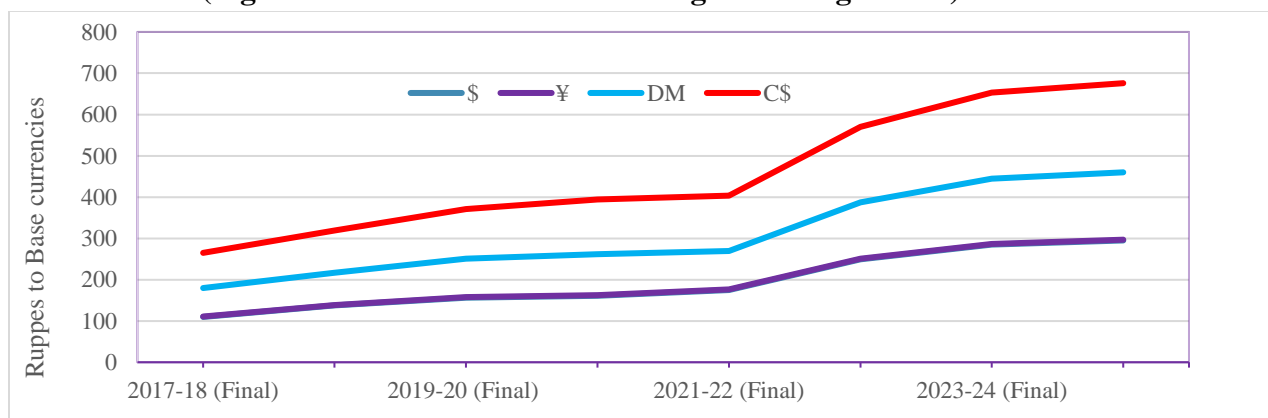


2.12 There is a historical trend of depreciation of the Pakistani Rupee against borrowing currencies. The consistent and continuous depreciation of the Pakistani Rupee has resulted in the accumulation of the debt portfolio in monetary terms. Predicting the volatility of the Pakistani Rupee is quite uncertain, as it depends heavily on factors such as foreign currency inflows into the country and reductions in the trade deficit. The budgeted rates for Fiscal Year 2024-25 and historical rates for the previous seven years, communicated by the Economic Affairs Division, are presented below in **Table 2.6** and **Figure 2.2**.

**(Table 2.6: Historical Trends in Base Currencies to Pak Rupees)**

Borrowing Currencies	\$	¥	DM	C\$
2024-25 (Budgeted)	295.00	1.88	163.14	215.88
2023-24 (Final)	285.00	1.81	157.85	208.56
2022-23 (Final)	249.00	1.78	136.37	183.11
2021-22 (Final)	175.00	1.36	93.21	134.29
2020-21 (Final)	161.00	1.47	99.09	132.71
2019-20 (Final)	156.00	1.55	93.30	119.97

**(Figure 2.2: Historical trends -Foreign Exchange Rates)**



2.13 **Figure 2.2** shows that there is step upward trend in base currencies against Pakistan Rupees from FY 2021-22 to FY 2023-24 resulting in massive increase in debt portfolio in rupees terms. During the last four years, growth was noticed in borrowing currencies against Pakistan

Rupees. If the budgeted exchange is used on the debt portfolio as on 30<sup>th</sup> June 2024, the total outstanding debts of the province will be Rs.107,109.547 million. The average growth in borrowing currencies against PKR from 2017-18 to 2024-25 shown below at **Table 2.7:**

(Table 2.7: Average growth in Base Currencies to Pak Rupees)

Base Currency	\$	¥	DM	C\$
Average Growth Rate	15.17%	8.98%	13.08%	14.21%

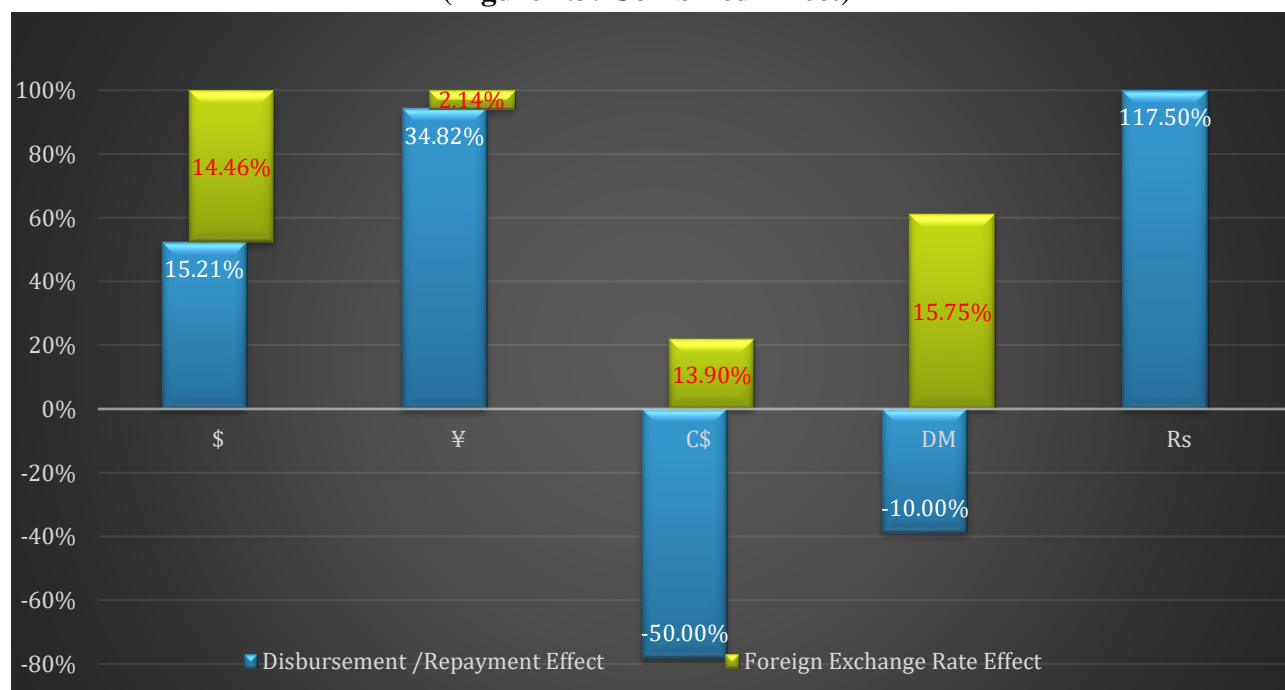
### Combined effect of Exchange Rate & Disbursements and Payments

2.14 **Table 2.2** shows the disbursements and repayments on the debt portfolio, while **Table 2.4** illustrates the effect of exchange rate fluctuations on the province's debt portfolio. The combined effect of foreign exchange rates and repayments/disbursements is presented below in **Table 2.8** and **Figure 2.3:**

(Table 2.8: Combined Effect from Table 2.2 & Table 2.4)

Description	\$	¥	C\$	DM	Rs
Disbursement /Repayment Effect	15.21%	34.82%	(50.00) %	(10.00) %	117.50%
Foreign Exchange Rate Effect	14.46%	2.14%	13.90%	15.75%	0.00%
<b>Combined Effect</b>	<b>31.87%</b>	<b>37.71 %</b>	<b>(43.05) %</b>	<b>4.18%</b>	<b>117.50%</b>

(Figure 2.3: Combined Effect)



2.15 Based on the information provided in the above graph, it can be concluded that the increase in the debt portfolio was mainly due to the upward movement in borrowing currencies and inflows of dollars into the province. Moreover, the effect of the CDL loan is solely attributed to

repayments made during the period. Since no foreign currency was involved in the CDL loan, there was only a repayment effect.

**(c) Cash Development Loan (CDL):**

2.16 This is a composite Cash Development Loan (CDL) from the Federal Government for the Right Bank Outfall Drain (RBOD-III) project executed by WAPDA Pakistan. The purpose of this project is to provide urgently needed effluent disposal facilities for existing and proposed drainage systems. The Finance Division has transferred liability amount of Rs. 2,348.822 million to Balochistan during the current financial year. The breakdown of this composite loan transferred to Balochistan is shown in **Table 2.9:**

**(Table 2.9: Cash Development Loan Details)**

S. No	Liability Transferred (Rs in Million)	Interest Rate (Fixed by FG)	Installment Amount (Rs in Million)	Total no of yearly Installments	Principal Repayment date
01	11.361	11.78%	1.993	10	2021-22
02	15.785	10.14%	2.446	11	2021-22
03	13.500	13.80%	2.364	12	2021-22
04	1,537.910	11.53%	199.858	24	2024-25
05	770.266	12.20	104.418	20	2025-26

### 03.DEBT PORTFOLIO BY LENDERS

3.01 Provinces avail external loans, through Economic Affairs Division, Government of Pakistan from various international multilateral and bilateral organization. The debt portfolio of the province consists lending from the following;

- (a) International Development Association-IDA (World Bank);
- (b) International Bank for Reconstruction and Development-IBRD (World Bank);
- (c) Asian Development Bank (ADB);
- (d) International Fund for Agriculture Development (IFAD);
- (e) Canadian International Development Agency (CIDA);
- (f) Germany;
- (g) Japan; and
- (h) Federal Government of Pakistan (CDL).

3.02 The lenders or agency wise outstanding loan balances as on 30<sup>th</sup> June 2024 in Rupee terms and base currencies is shown in the **Table 3.1:**

**(Table 3.1: lenders wise debt position)**

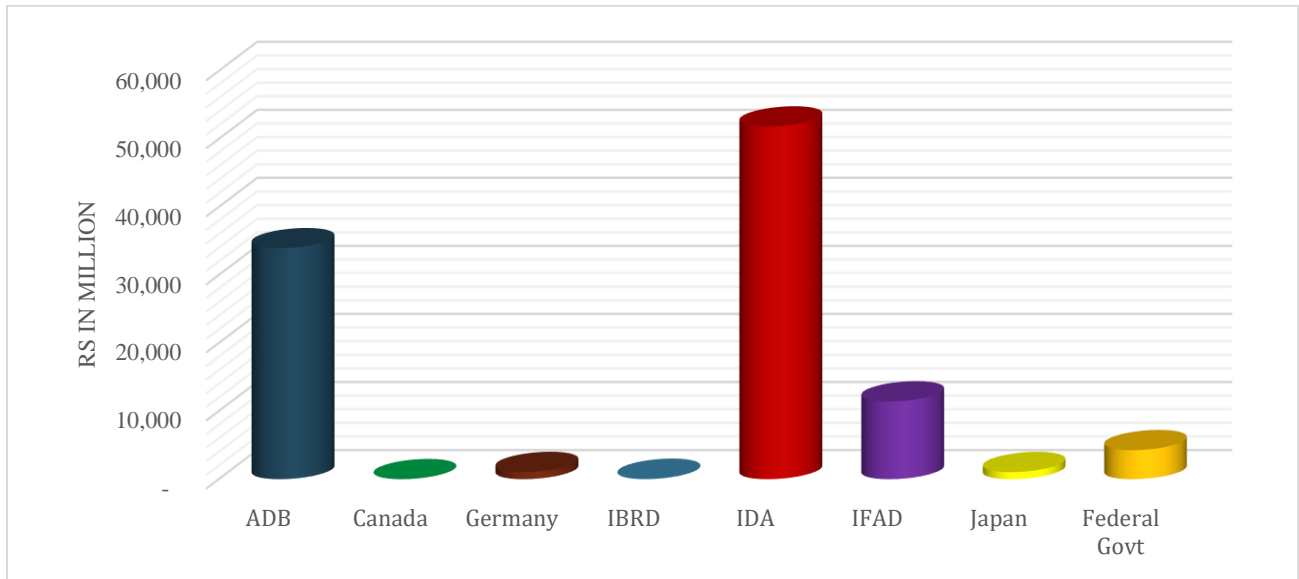
Agency	Outstanding debts as on 30 <sup>th</sup> June 2024 <sup>1</sup>	Outstanding debts as on 30 <sup>th</sup> June 2024	Weightage (%)
	<---In Million--->		
IDA	\$ 169.00	48,163.92	46.49%
IDA	¥ 2,020.34	3,662.88	3.55%
IBRD	\$ 0.19	53.01	0.05%
ADB	\$ 99.98	28,493.37	27.62%
ADB	¥ 2,714.51	4,921.41	4.77%
IFAD	\$ 40.36	11,502.14	11.15%
Germany	DM 6.68	1,054.12	1.02%
Japan	¥ 573.22	1,039.24	1.01%
CIDA	C\$ 0.03	5.74	0.01%
Federal Govt through WAPDA	Rs 4,264.45	4,264.45	4.13%
<b>Total</b>		<b>Rs. 103,160.27</b>	<b>100%</b>

3.03 **Table 3.1** clearly illustrates that major lender to the province is World Bank with weightage of 50.07% followed by Asian Development Bank. It is to be noted that during the current year the Government of Balochistan entered into a major loan project (Integrated Flood Resilience and Adaptation Project) with the World Bank and another one with ADB Emergency

<sup>1</sup> Balances are reconciled with EAD in the month of Sept, 2024

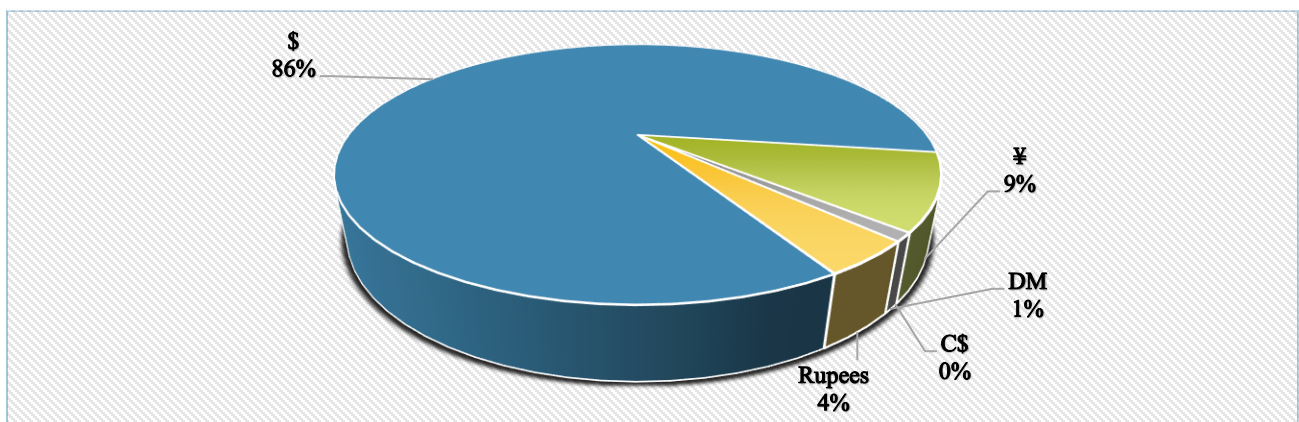
Flood Assistance Project. The graphical representation of outstanding debts lenders wise is show in **Fig 3.01** below:

**(Figure 3.1: lenders wise debt position)**



#### **04.DEBT POSITION BY CURRENCY COMPOSITION**

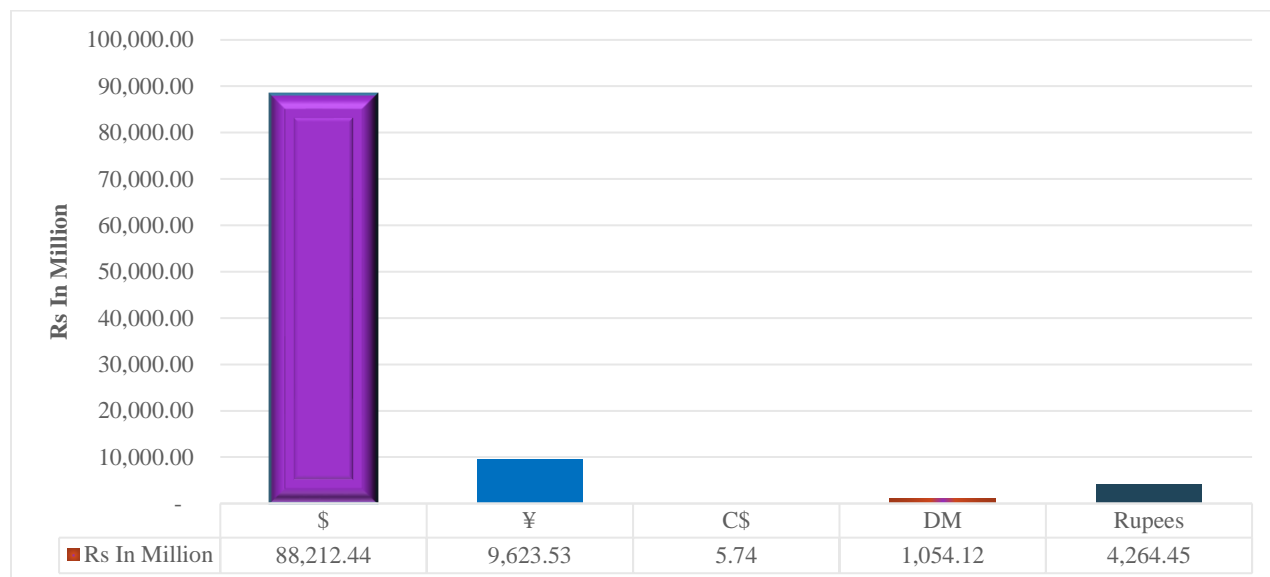
4.01 The loan portfolio of the province consists of multiple currencies, including US Dollars, Canadian Dollars, Deutsche Marks, Japanese Yen, and Pakistani Rupees. For foreign debts, the choice of loan currency is determined by the Economic Affairs Division (EAD), considering the economic implications of the loans in terms of interest rates and currency stability. The breakdown of the province's currency-wise loans is shown in a pie chart in **Figure 4.1**:



4.02 **Figure 4.1** clearly depicts that US dollars dominate the loan portfolio of the province. Therefore, the debt profile is highly sensitive to fluctuations in the US dollar. Any upward or downward movement in the US dollar will affect the province's debt position. The Canadian Dollar and Deutsche Mark have a minimal impact on the debt profile because the maturity profiles

of these loans are nearing completion. The outstanding currency-wise position in Pakistani Rupees as of June 30, 2024, is shown in **Figure 4.2** below:

**(Figure 4.1: Debt Position Currency Wise)**



## **05.DEBT PORTFOLIO BY INTEREST TYPE**

5.01 All the loans in the province's debt portfolio carry an interest rate, except for the CIDA loan, which is interest-free. The loans have been taken at both floating and fixed interest rates. The terms of these loans are provided in **Table 5.1** below:

**(Table 5.1: Terms of Loan portfolio)**

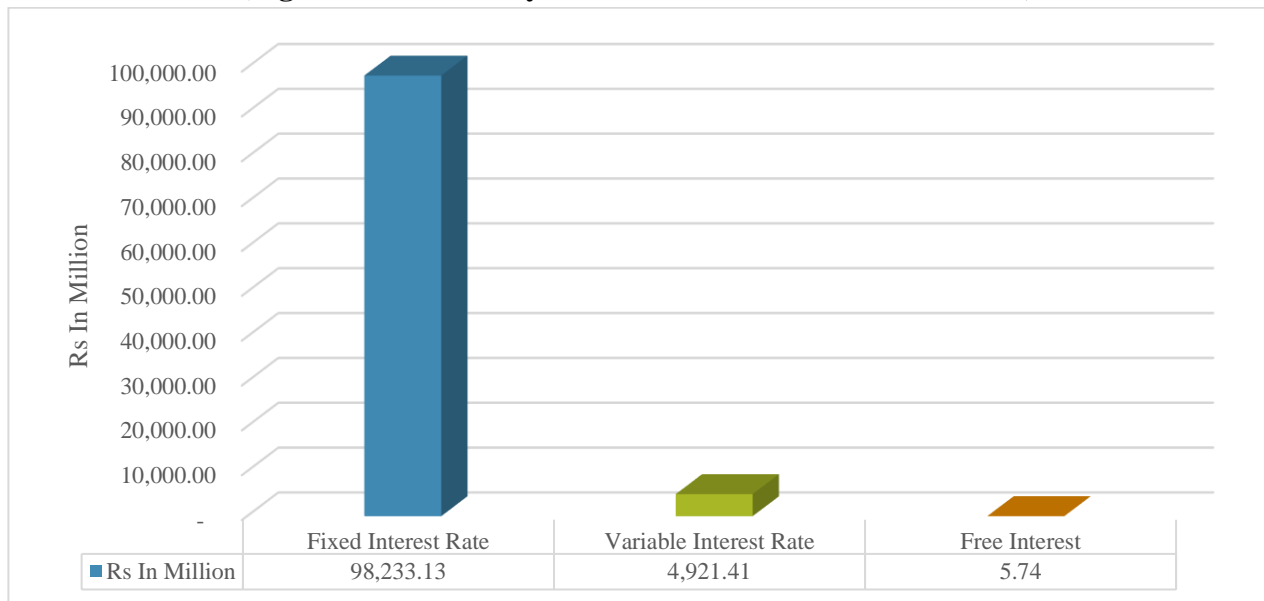
Lenders	Loan by interest type	Interest/Service charges Rate	No of Loans 30 <sup>th</sup> June 2024
<b>IDA &amp; IBRD</b>	Fixed	0.75%-2%	34
<b>ADB</b>	Fixed	1%-2%	24
<b>ADB</b>	Floating	LIBOR+0.6%	01
<b>IFAD</b>	Fixed	0.75%	03
<b>Germany</b>	Fixed	0.75%	01
<b>Japan</b>	Fixed	2.30%	01
<b>CIDA</b>	Interest Free	0%	01
<b>Federal Govt</b>	Fixed	6.62%-13.80%	01
	<b>Total</b>		<b>66</b>

5.02 The Cash Development Loan (CDL) from the Federal Government is a composite loan consisting of eight individual loans, each carrying a different fixed interest rate. Additionally, three fixed-interest loans matured during the year ended June 30, 2024.

5.03 The outstanding balances of loans as of June 30, 2024, are bifurcated into fixed, floating, and interest-free loans in monetary terms, as shown in **Figure 5.1** through a bar chart. The bar chart clearly illustrates that a major portion of the debt profile is dominated by fixed interest rates,

followed by a small portion of variable interest rates. The weight of the interest-free loan in the debt portfolio is negligible, as it consists of only one loan.

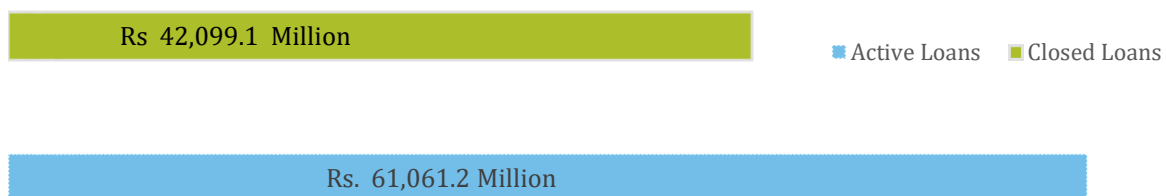
**(Figure 5.1: Monetary Position of loans interest term wise)**



## **06.DEBT PORTFOLIO BY STATUS**

6.01 The status of a loan indicates whether it is a closed loan or an active loan. Closed loans are those for which disbursements have been completed, and repayments of principal amounts are in process according to the repayment schedule. In contrast, active loans are those where disbursements are still being received or will begin in the ongoing fiscal year. The outstanding debt balances as of June 30, 2024, according to their status, are shown in **Figure 6.1:**

**(Figure 6.1: Status of Active Loans)**



6.02 **Figure 6.1** shows that the monetary value of active loans is 59.19%, while closed loans account for 40.81%. It is noted that the debt profile includes a total of sixty-six loans, out of which only nine are active. This implies that there is no correlation between the outstanding balances and the number of loans.

6.03 It is essential to provide details of the active loans on a project-wise basis. The active loans, along with their donor agencies and outstanding amounts as of June 30, are presented in **Table 6.1**, in both base currency and Pakistani Rupees.

**(Table 6.1: Status of Active Loans)**

Name of Project	Agency	Outstanding balances 30 <sup>th</sup> June 2024	
		In Million	
Balochistan Human Capital Investment Project	IDA	\$ 14.63	4,169.65
Balochistan Integrated Water Resources Management and Development Project	IDA	\$ 61.33	17,480.22
Balochistan Livelihood & Entrepreneurship Project	IDA	\$ 7.39	2,105.01
Balochistan Water Resources Development Sector Project	ADB	\$ 45.40	12,939.84
Emergency food Assistance Project	ADB	\$ 15.53	4,427.29
Gwadar Lasbela Livelihood Support Project	IFAD	\$ 22.68	6,463.43
Gwadar Lasbela Livelihood Support Project II	ADB	\$ 17.58	5,010.85
Integrated Flood Resilience and adoption Project	IDA	¥ 2,020.34	3,662.88
National Immunization Support Project	IDA	\$ 1.89	537.53
Cash Development Loan	Federal Govt	Rs. 4,264.45	4,264.45
<b>Total</b>			<b>Rs. 61,061.15</b>

6.04 It is important to note that the National Immunization Support Project and the Gwadar Lasbela Livelihood Support Project Round I are included in the list of active loans; however, their repayment schedules have not yet been finalized.

### **07.ACTUAL DISBURSEMENT FROM ACTIVE LOANS**

7.01 During the period ended 30<sup>th</sup> June,2024 Rs 21,205.67 million have been disbursed on account of active loans from IDA, ADB and IFAD. Project wise monthly and total disbursements from active loans during the period ended 30<sup>th</sup> June 2024 are shown below at **Table 7.1** with graphical presentation at **Figure 7.1**:

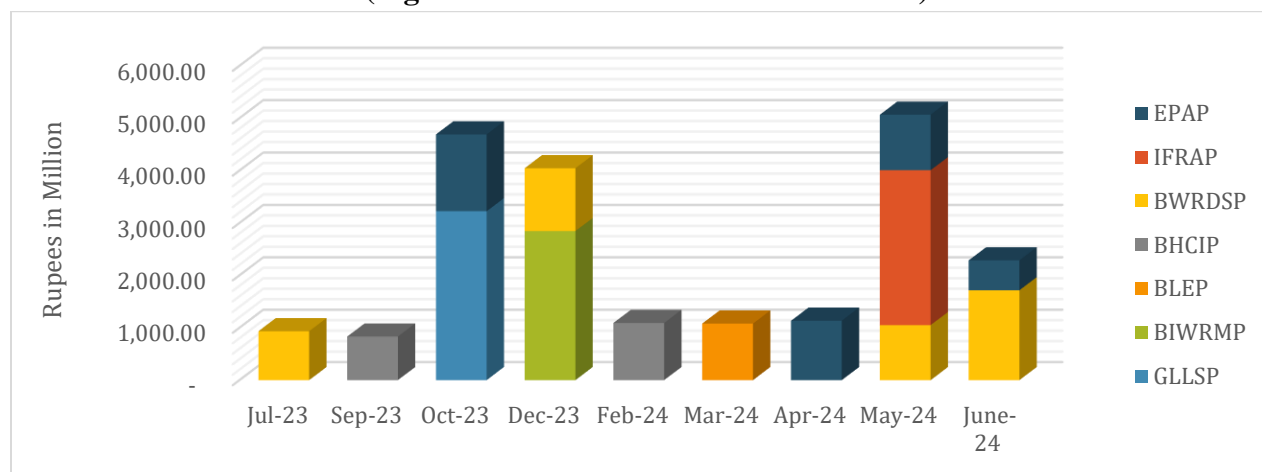
**(Table 7.1: Cash disbursement from active loans)**

Month	GLLSP	BIWRMP	BLEP	BHCIP	BWRDSP	IRRAP	EFAP
<-----Rs In Million----->							
August 2023	-	-	-	-	933.80	-	-
Sept 2023	-	-	-	831.75	-	-	-
Oct 2023	3,224.53	-	-	-	48.097	-	1,465.04
Dec 2023	-	2,844.64	-	-	1,199.95	-	-
Feb 2024	-	-	-	1,091.52	-	-	-
March 2024	-	-	1,079.46	-	-	-	-
April 2024	-	-	-	-	-	-	1,134.12
May 2024	-	-	-	-	1,050.73	2,956.28	1,059.34
June 2024	-	-	-	-	1,715.54	-	570.88
<b>Total</b>	<b>3,224.53</b>	<b>2,844.64</b>	<b>1,079.46</b>	<b>1,923.27</b>	<b>4,948.112</b>	<b>2,956.28</b>	<b>4,229.37</b>



7.02 Moreover, the effects of capitalized interest and direct payments are not included in the above disbursement figures. Additionally, the disbursement does not account for the adjustments made in the IFAD loan for the GLLSP.

**(Fig 7.1: Disbursement from active loans)**



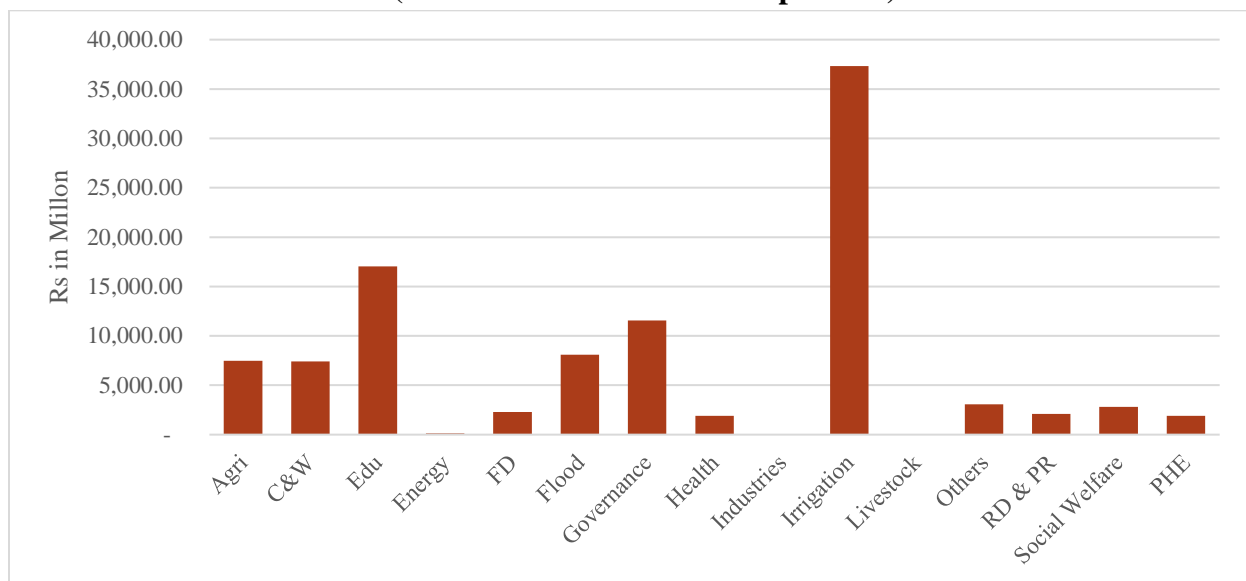
## **08.SECTOR WISE OUTSTANDING DEBTS**

8.01 The loans obtained by the Government of Balochistan over the years are for support of projects reflected in the Provincial Public Sector Development Programmed (PSDP) as Foreign Project Assistance (FPA) based on the respective needs of the sectors. Sector wise outstanding balances as on 30<sup>th</sup> June, 2024 are as follows in **Table 8.1** and **Figure 8.1**;

**(Table 8.1: Sector wise debt position)**

S. No	Description	No of Loans	DOD as on 30th June 2024 (Rs Million)	% Of outstanding amount
01	Agricultural	05	7,465.07	7.24%
02	Communication & Works	06	7,419.07	7.19%
03	Education	13	17,052.91	16.53%
04	Energy	01	106.55	0.10%
05	Finance Department	01	2,301.18	2.23%
06	Flood	02	8,090.17	7.84%
07	Governance, Research & Statistics	03	11,565.75	11.21%
08	Health	06	1,894.34	1.84%
09	Industries	02	40.10	0.04%
10	Irrigation	09	37,325.80	36.18%
11	Livestock	01	18.21	0.02%
12	Others	05	3,061.86	2.97%
13	Rural Development & Poverty Reduction	01	2,105.01	2.04%
14	Social Welfare	04	2,806.18	2.72%
15	Water (Public Health Engineering)	08	1,908.08	1.85%
<b>Total</b>		<b>67</b>	<b>103,160.27</b>	<b>100%</b>

(Table 8.1: Sector wise debt position)



### **09.REPAYMENT OF PRINCIPAL & INTEREST**

9.01 The repayment amount consists of both the principal repayment and the interest costs on the outstanding amount, in accordance with the rates and repayment schedule agreed upon at the time of the loan agreement. The amortization schedule is revised at the close of the project based on the actual amount disbursed and adjusted each year according to currency fluctuations. Foreign exchange gains or losses arising from currency fluctuations are reflected in the debt balances as realized gains or losses. The payments for fiscal year 2023-24 and the budget estimates for fiscal year 2024-25 are shown below in **Table 9.1** and **Figure 9.1**:

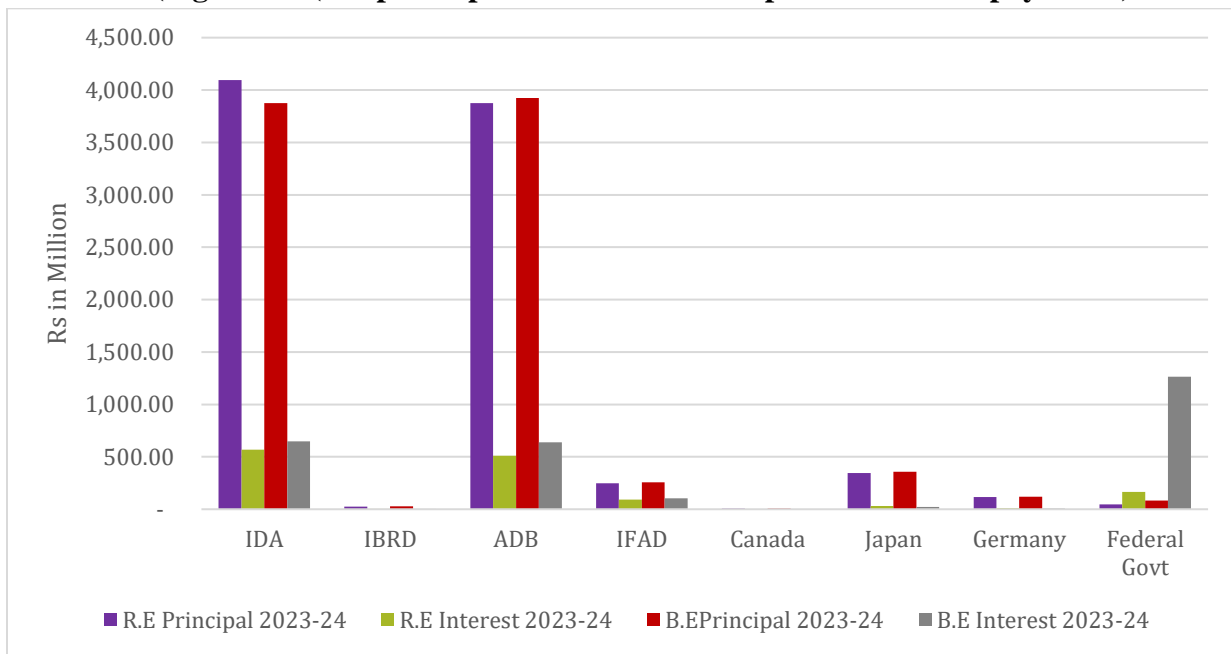
(Table 9.1: Debt Servicing Actual 2023-24 and Budget Estimates 2024-25)

Development Partner	Payments Rupees in Million			
	Principal	Interest	Principal	Interest
	Actual 2023-24		Budget Estimates 2024-25	
<b>IDA</b>	4,093.786	569.504	3,876.727	647.096
<b>IBRD</b>	26.505	0.547	27.435	0.360
<b>ADB</b>	3,873.923	510.007	3,924.252	639.966
<b>IFAD</b>	247.618	90.865	256.306	103.082
<b>Canada</b>	5.735	-	5.937	-
<b>Japan</b>	346.414	29.878	358.642	22.684
<b>Germany</b>	117.125	8.565	121.048	7.944
<b>Federal Govt</b>	45.063	164.367	81.727	1,263.602
<b>Total</b>	<b>8,756.169</b>	<b>1373.732</b>	<b>8,652.074</b>	<b>2,684.734</b>

9.02 The following loans have been matured as on 30<sup>th</sup> June 2024;

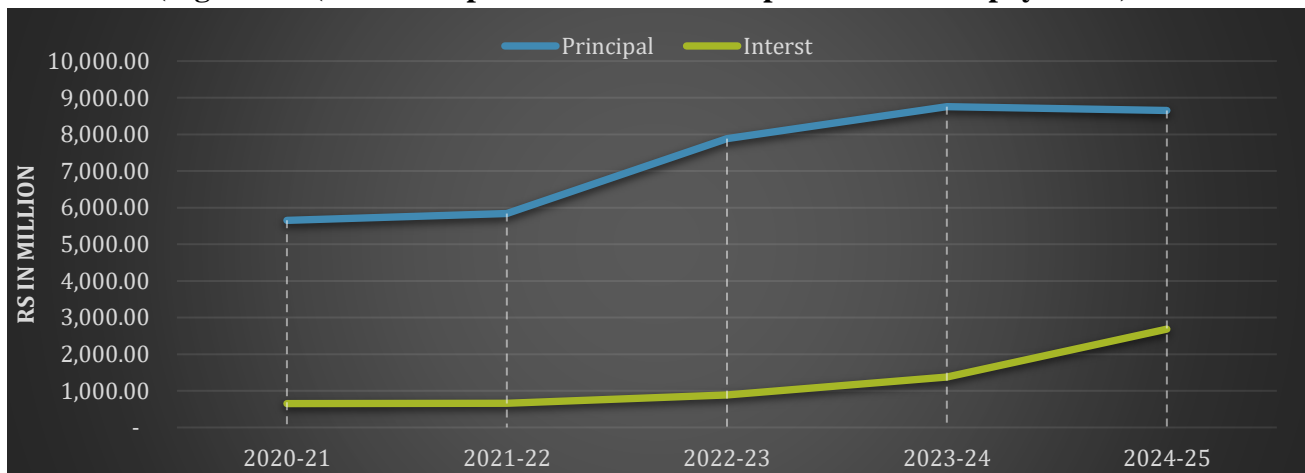
- Flood Damage Rest Project;
- Farm to Market Road Project II; and
- Flood Damage Restoration project.

**(Figure 9.1 (Graphical presentation of Principal and Interest payments))**



9.03 There has been an upward trend in both principal repayments and interest payments over the last few years. The increase in principal repayments is a result of the depreciation of the Pakistani Rupee against base currencies. However, the major increase in interest payments is due to the inclusion of the Cash Development Loan (CDL). A trend analysis of the preceding five years is shown in **Figure 9.2:**

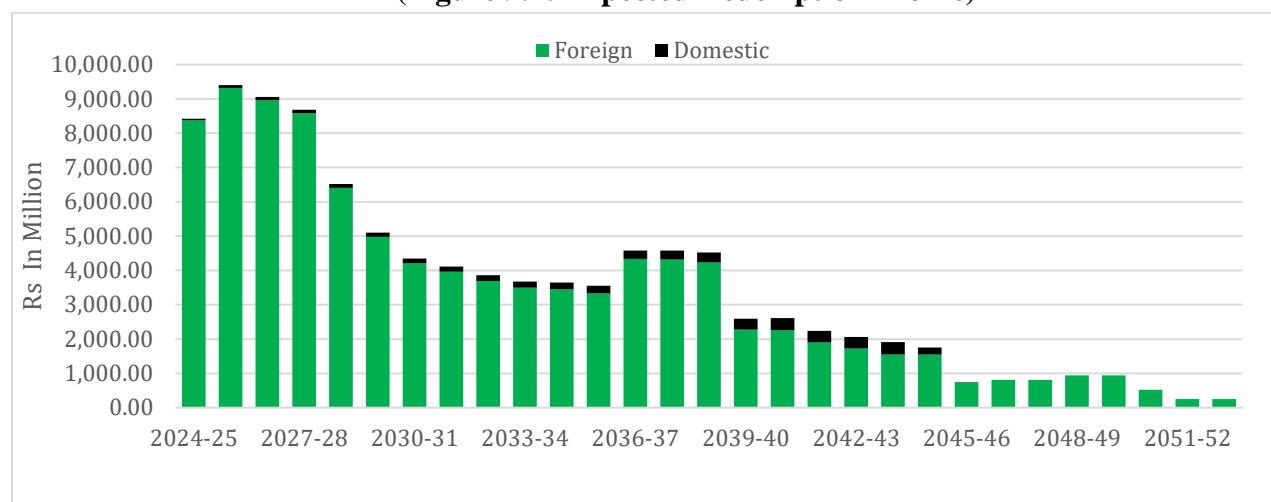
**(Figure 9.2 (Historical presentation of Principal and Interest payments))**



**9.04 Expected Redemption Profile;** Redemption profile is of existing outstanding loans and expected disbursement from active loans over the agreed time period. The exchange rates communicated by EAD for the budget year 2024-25 have been used for conversion of debt portfolio in Pak Rupees. This redemption profile is based on existing stock; however, it is subject

to change with the addition of new loans and change in exchange rate. A graphical presentation of redemption profile is shown below at **Figure 9.2:**

**(Figure 9.2: Expected Redemption Profile)**



## **10. DEBT SUSTAINABILITY**

10.01 Debt sustainability analysis is crucial because it provides the province with a medium to long-term perspective on its debt burden. Maintaining debt at a sustainable level ensures that debt service does not adversely affect recurrent and development expenditures, and that the debt-to-revenue ratio remains low over time. Debt sustainability can be assessed through various indicators, which are used to measure the level of indebtedness of a province. Common indicators include solvency/vulnerability (debt-bearing capacity) and liquidity/fiscal indicators (debt servicing capacity). A period-wise comparison of these indicators is shown in **Table 10.1** below:

**(Table 10.1: Debt sustainability indicators)**

Indicators	Description	2022-23	2023-24
<b>Solvency/Vulnerability Indicators<sup>2</sup></b>	Outstanding debts to the Federal Transfer including FPA (Revised Estimates 2022-23)	17.65%	17.71%
	Outstanding debts to the provincial own receipts (Tax and Non-Tax Receipts) Revised Estimates	171.05%	230.40%
<b>Liquidity/Fiscal<sup>3</sup> Indicators</b>	Principal Repayment to Revenue Expenditure (Revised Estimates)	2.24%	2.11%
	Principal Repayment to Revenue Receipt (Revised Estimates)	1.64%	1.44%
	Interest payment to Revenue Expenditure (Revised Estimates)	0.25%	0.33%
	Interest payment to Revenue Receipt (Revised Estimates)	0.21%	0.23%

<sup>2</sup> For Solvency indicators Revised Federal Transfer and Own Revenue are taken from ABS-2023-24 & ABS-2024-25.

<sup>3</sup> For Liquidity indicators Revenue Receipts & Revenue Expenditures are based on Revised Estimates for the FY 2022-23 & 2023-24 are taken for ABS 2023-24 & 2024-25

10.02 As shown in **Table 10.1**, outstanding debts to provincial own receipts have increased by 59.35% compared to June 30, 2023. This rise is due to a decrease significant decrease in provincial receipts revised receipts over budgeted receipts and increase in debt profile primarily due to exchange rate fluctuations.

### **11.RISK ANALYSIS OF DEBT PORTFOLIO**

11.01 A number of indicators are used to monitor and control risks associated with government debt. The challenges are to achieve a debt structure that balances the cost with an appropriate level of risk. Risk indicators measure the exposure of debt stock to maturity. Interest rate and currency risk act as a guideline to devise future borrowing strategies. Risk indicators are shown at **Table 11.1**:

**(Table 11.1: Risk indicators)**

<b>Factors</b>	<b>Risk Indicators</b>	<b>30th June 2024</b>
<b>Cost of Debt (Range)</b>	Fixed Rate Debts (Foreign)	2.30%-0.75%
	Variable Rate Debts (Foreign)	LIBOR+0.6%
	Domestic Debts	6.62%-13.80%
	Debt Maturing in 1 year (% of total)-Foreign Debts	0.10%
	Debt Maturing in 1 year (% of total)-Domestic Debt	0.00%
	Average Time to Maturity <sup>4</sup> (ATM) Foreign Debts-Years	08.79 Years
	Average Time to Maturity (ATM)-Domestic Debts -Years	13.05 Years
<b>Interest Rate Risk</b>	Fixed rate debt (% of total)	95.23%
	Debt Re-fixing in 1 Year (% of total)	2.62%
	Average Time to Re-fixing <sup>5</sup> (ATR) Years	8.86 Years
<b>Foreign Exchange Risk</b>	Foreign Currency Debt as % of Total Debt	95.87%

**11.02 Re-Financing/Roll-Over Risk;** Refinancing/Rollover Risks refer to the risk of having to refinance/roll-over retiring portion of the debt at a higher interest rate. The Debt Maturing in a year and the Average Time to Maturity (ATM) are indicators used to measure this risk. ATM shows the average time to maturity of all the principal repayments in the debt portfolio. Higher portion of debt maturing in a year and shorter ATM imply higher risk exposure and vice versa. ATM of the Balochistan loan portfolio is in good shape of 08.79 & 13.05 years for foreign and domestic debts

<sup>4</sup>A measure of weighted average time to maturity of all principal repayments in the portfolio. ATM measures the average length of time it takes for all debt instruments to mature. A longer ATM implies lower refinancing risk and vice versa.

<sup>5</sup>A measure of weighted average time until all principal repayments in the portfolio become subject to a new interest rate. The longer the period, the longer the interest rate risk exposure.

respectively. This is due to concessional loan portfolio with low interest rate and high maturity period. The above mention data shows that the loan portfolio exposure to refinancing risk is low.

**11.03 Interest Rate Risk;** The Interest Rate Risk refers to the exposure of debt portfolio to changes in interest rate. Fixed Rate Debts in the total loan portfolio, Debt Re-Fixing in a year and Average Time to Re-Fixing (ATR) are indicators used to measure this risk. The Average Time to Re-fixing (ATR) shows the weighted average time that the loan portfolio will be exposed to change in interest rates. Low ATR and high portion of debt re-fixing in a year indicates high-interest rate risk. ATR of Balochistan loan portfolio is 08.86 years which is quite high and on safe side. Furthermore, the other two indicators that is Debt Re-fixing in a year and fixed rate debts are also quite on safe side. Therefore, portfolio exposure to interest rate risk is very low. Interest Rate Risk of domestic debts are zero as entire domestic debts are of fixed interest rates.

**11.04 Foreign Exchange Risk;** Only foreign debts in the debt portfolio are exposed to exchange rate risk. As 95.89% of the debt portfolio consist of foreign debts that is why, foreign exchange risk for Balochistan is at the higher side. Moreover, the abrupt depreciation of Pak Rupees against foreign currencies, has a huge impact on the outstanding loan balances and interest payments in PKR terms.

**(THE END)**