



PUBLIC DEBT-RISK INDICATORS

Table 1: Composition by creditor (PKR in million)

Agency	Count	Amount outstanding (PKR) Jun 30, 2020	Amount outstanding (PKR) Jun 30, 2021	% of Total Debt
World Bank	62	279,731	281,558	61.90
ADB	43	144,582	135,052	29.69
Japan	3	14,944	12,083	2.66
Fed. Govt.	25	11,866	22,310	4.90
Others	6	2,936	3,883	0.85
Total	139	454,059	454,886	100

SECTOR WISE OUTSTANDING JUN 30, 2021 (EXTERNAL DEBT PORTFOLIO)

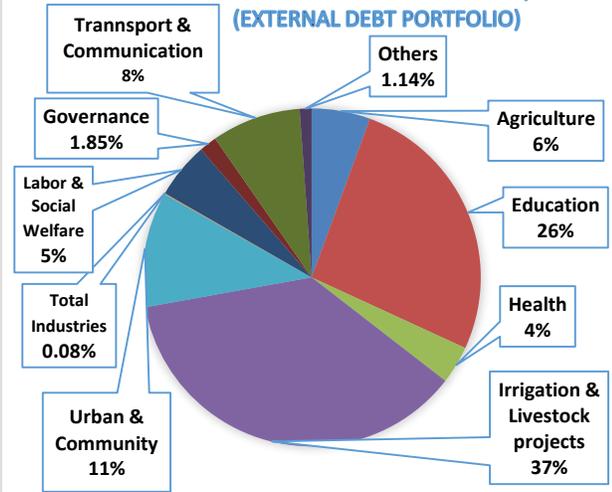


Table -2: Risk Indicators

Risk Indicator		Domestic Debt	External Debt	Total Public Debt	Domestic Debt	External Debt	Total Public Debt
		End- June 2020			End- June 2021		
FX risk	FX debt (% of total debt)		96.7%			94.02%	
Interest rate risk	Debt Re-fixing in 1 yr (% of total)	12.8%	23.3%	23.0%	12.8%	23.3%	23.0%
	Fixed rate debt (% of total)	100%	81.8%	81.9%	100%	79.0%	79.9%
	*ATR(years)	6.1	8.8	8.7	6.1	8.8	8.7
Refinancing risk	Debt maturing in 1 yr(% of total)	12.8%	4.8%	5.0%	12.8%	4.8%	5.0%
	*ATM(years)	6.9	11.1	10.9	6.9	11.1	10.9

Currency Wise Exposure Sindh Debt Portfolio as of June 30, 2021

Currencies	Percentage
US Dollar	62.93%
JPY	2.66%
Pak Rupees	5.99%
SDR	27.77%
Others	0.66%
Total	100%

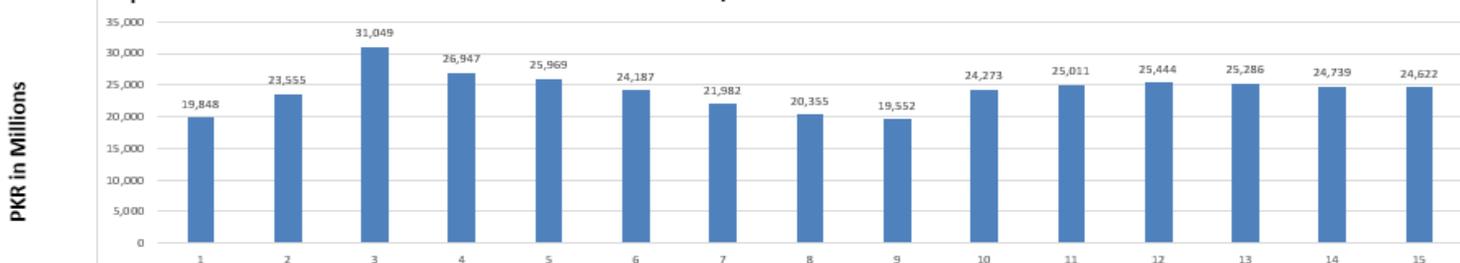
Graph 1

Interest Profile Year Wise



Graph 2

Principal Profile Year Wise



* ATR: Average Time to Refixing

**ATM: Average Time to Maturity

*** Financial Year 21-22 includes accumulated principal (Rs. 5.765 billion) and interest (Rs. 12.027 billion) for total Rs. 17.792 billion on account of RBOD-I loan. It is a one off impact on both principal and interest payment categories

****FY: Financial Year

***** SDR: Special Drawing Rights

Summary:

The publication of Sindh Debt Bulletin as of Jun 30, 2021 reflects Government's commitment to transparency and accountability with respect to public debt management. For the transactions the document provides an account of province's debt stock; its redemption profile; composition and structure of the foreign and domestic debts and risks in the existing debt portfolio. It reports key data and ratios on the public debt portfolio and how those have been changed in last 01 (one) year.

WAIRⁱ (weighted average interest rate) for domestic loan is 11.33% which is relatively higher when as compared to external portfolio WAIR for 1.28%, due to old domestic loans, secured on very high interest rates. Total WAIR for entire debt portfolio is 1.72%. The prevailing SBP (State Bank of Pakistan) discount rate is 7% as of June 30, 2021 and Sindh Government has not opted for any new domestic loan for last many years. In last debt bulletin for June 30, 2020, WAIR for external debt portfolio was around 1.71% which has reduced significantly to 1.28% due to lower 6m USD Libor rates for 0.15% as of June 30, 2021.

GRR (General Revenue Receipt), GRE (General Revenue Expenditure) and Debt Servicing (Principal + Interest) were PKR 949.3 billion, PKR 818.4 billion and PKR 31.38 billion respectively in FY 2020-21. Debt servicing on account of GRR and GRE was only 3.3% and 3.8% respectively.

Recent Borrowing Activities:

During last 12 months period, an amount of PKR 22.10 billion was disbursed on account of twenty three (23) foreign loans from two (02) multilateral agencies (World Bank, Asian Development Bank and Asian Infrastructure Investment Bank) and one (01) bilateral agency (South Korea).

There are ten (10) new Loans (Competitive and Livable City of Karachi Project-USD 230 million World Bank-IBRD, Karachi Water and Sewerage services improvement project-USD 105 million World Bank-IBRD/AIIB, Karachi Mobility project (BRT-Yellow Line)- USD 438.9 million World Bank-IBRD), Sindh Solar Energy Project – USD 95.83 million World Bank-IDA, Sindh Barrages improvement project USD 100 million - IDA, Karachi BRT Red Line project-USD 493 million ADB/AIIB/AFD/GCF), Sindh Secondary Education improvement project-ADB USD 75 million ADB, Sindh Resilience Project Phase II USD 200 million IDA, Sindh Early Learning Enhancement Through Classroom Transformation (SELECT) USD 100 million IDA and Karachi Solid Waste Emergency and Efficiency Project USD 100 million IDA, for more than PKR 329 billion are signed in the last 02 years. Almost 85% of these new loans are signed on commercial rates (Libor plus spread). While analyzing the USD 6 month Libor of last 10-12 years, the rate remains in the range of 1% from FY 2010 to 2016 but gradually increases to 2.87% at the end of FY 2019. The rate has now reduce to 0.15% (June 30, 2021) and in current situation the actual cost is at least 42% lower than concessional financing on 2% interest rate.

There are seven (07) new loans currently in negotiation or concept paper clearance phase for more than PKR 256 billion approximately (Sindh Road sector improvement project II- USD 200 million ADB, Sindh Coastal Resilience Project USD 100 million-ADB, KWSSIP Phase II USD 400 million– IBRD/AIIB, Sindh Water & Agriculture transformation project USD 310 million – IDA, Enhancing PPPs in Sindh, Add. Financing USD 100 million – ADB, Sindh 1000 Day's Plus Program: Continuum of Care for Integrated Healthcare Services for Universal Health Coverage USD 200 million - IDA and Human Capital Investment Project USD 200 million – IDA) which might be signed/approved in the next 12-16 months period. These loans along with the already signed/approved loans collectively will increase the Debt portfolio at least by 75% (excluding average rupee depreciation) in the next 5-6 years period.

Table 1: Risk Indicators

ⁱⁱFX Risk:

The share of foreign currency denominated loans is 94.02% of total Sindh debt portfolio, which has a higher exposure to Currency risk/Exchange rate risk.

ⁱⁱⁱInterest Rate Risk:

Debt re-fixing in one year as a percentage of total is 23% which is on lower side as compared with. It includes debt on fixed rate maturing within current year plus 10 (Ten) LBL (Libor Based loans) category, re-fixed after every 06 months period.

* ATR: Average Time to Refixing

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^{iv}ATR (Average time to re-fixing) for complete debt portfolio is 8.7 years which is high and indicates low risk relatively, while measuring its vulnerability towards interest rate risk.

Re-financing Risk:

Debt maturing in one (01) year is average 5% of total debt portfolio, which is low, considering its exposure to re-financing risk.

^{vi}ATM (average time to maturity) for complete debt portfolio is 11 years, which shows the debt portfolio average maturity period is high and indicates low exposure to re-financing risk.

Table 2: Creditors wise Composition as of June 30, 2021 (Sindh Debt Portfolio)

The amount has increased by total PKR 827 million in FY 2020-21. Total loan disbursements and principal payments recorded for the year were PKR 33.854 billion (External loan is PKR 22.1 billion and Domestic loan is PKR 11.754 billion) and PKR 23.555 billion and a currency appreciation impact of PKR 9.472 billion.

Graph: 1 Interest servicing year wise

The Key impact is due to domestic loan which is 4.9% of total debt portfolio and comprises 18.37% of interest charges share. Such a high interest charges share is due to very old domestic loans borrowed on higher rates along with its shorter maturity. Other key reason is gradual increase in foreign loan variable rate category to 21% which is a non-concessional lending from lending agencies.

Graph: 2 Principal Profile year wise

Principle redemption profile shows increase of 18.67% in principal repayment in FY 2020-21 onwards mainly due to inclusion of new loans with principal payments due in specific years.

ⁱ WAIR (weighted average interest rate) is the aggregate **rate of interest** paid on all debt.

ⁱⁱ **Foreign exchange risk** (also known as **FX risk, exchange rate risk** or **currency risk**) is a financial **risk** that exists when a financial transaction is denominated in a **currency** other than that of the local **currency** of the Country

ⁱⁱⁱ Interest Rate Risk indicates the exposure of debt portfolio to any variation in interest rates.

^{iv} ATR (Average Time to Re-fixing) is a measure of weighted average time until all the principal payments in the debt portfolio become subject to a new interest rate

^v Re-financing risk is the risk to measure its vulnerability against rolling over the debt on higher interest rates.

^{vi} ATM (average time to maturity) measures the weighted average time to maturity of all the principal payments in the portfolio.

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