



DEBT MANAGEMENT UNIT

FINANCE DEPARTMENT GOVERNMENT OF SINDH



DEBT BULLETIN SINDH (BI-ANNUAL)

JULY - DEC' 2023

 finance.gos.pk

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Table of Contents

	List of Tables and Figures	02
	List of Abbreviations	03
	Summary	04
1.0	Introduction	05
2.0	Overview of Total Public Debt	05
3.0	Reasons for Increase in Total Debt	06
4.0	Maturity Profile of External and Domestic Loans	06
5.0	Glimpse of Recent Borrowing Activities	07
6.0	Liability by Sector (External Debt Portfolio)	10
7.0	Composition by Lender	11
8.0	Exposure by Currency	12
9.0	Debt Risk Indicators	13
10	Interest Composition for External and Domestic loans	14
11	Principal Composition for External and Domestic Loans	15
12	Government Guarantees	15
13	Glossary	16

LIST OF *Tables and Figures*

- *Table 1.* Overview of Provincial Debt
 - *Table 2.* Reasons for Increase in Total Debt.
 - *Table 3.* Maturity Profile of External and Domestic Loans
 - *Table 4.* Recent Borrowing Activities
 - *Table 5.* Recent Loans in Negotiations
 - *Table 6.* Liability by Sector
 - *Table 7.* Composition by Lender
 - *Table 8.* Exposure by Currency
 - *Table 9.* Debt Risk Indicators
 - *Table 10.* Interest Composition for External and Domestic Loans
 - *Table 11.* Principal Composition for External and Domestic Loans
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- *Figure 1.* Maturity Profile of External and Domestic Loans
 - *Figure 2.* Liability by Sector
 - *Figure 3.* Currency Wise Exposure
 - *Figure 4.* Interest Composition for External and Domestic Loans
 - *Figure 5.* Principal Composition for External and Domestic Loans

LIST OF ABBREVIATIONS

ADB	Asian Development Bank
AFD	French Development Agency (Agence Française de Développement)
AIB	Asian Infrastructure Investment Bank
ATM	Average Time to Maturity
ATR	Average Time to Re-fixing
CLICK	Competitive and Live-able City of Karachi
CRE	Current Revenue Expenditure
GCF	Green Climate Fund
GoP	Government of Pakistan
GoS	Government of Sindh
HCIP	Human Capital Investment Project
HSBRP	Hyderabad Southern Bypass Road Project
IBRD	International Bank for Reconstruction & Development
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IsDB	Islamic Development Bank
JICA	Japan International Corporation Agency
KWSSIP	Karachi Water and Sewerage Services Improvement Project
NHSP	National Health Support Program
OPEC	Organization of the Petroleum Exporting Countries
SACOS	Sindh Aqua Culture Operations in Sindh
SELECT	Sindh Early Learning Enhancement Through Classroom Transformation
SPRSIP	Sindh Provincial Road Sector Improvement Project II
SSEIP	Sindh Secondary Education Improvement Project
SWEEP	Solid Waste Emergency and Efficiency Project
SW&ATP	Sindh Water & Agriculture Transformation Project
TRR	Total Revenue Receipts
WAIR	Weighted Average Interest Rate

Summary

The publication of the Sindh Debt Bulletin as of December 31, 2023 is illustrative of Sindh Government's commitment towards better debt management, transparency in maintaining debt portfolio and having necessary feedback from the relevant stakeholders. The document provides an account of the provincial debt stock, its redemption profile, composition and structure of the foreign and domestic loans and provincial guarantees that provides a basis for risk analysis. It is a combination of brief description supported with reports having significant data coupled with financial ratios providing an outlook of public debt portfolio and variations taking place during the year.

A cursory glance to the portfolio shows that weighted average interest rate (WAIR) for the domestic loans is 11.52% which is higher than the WAIR of 2.59% for the external loans, for reasons of securing high interest-bearing loans. Whereas, the total WAIR for the entire debt portfolio is 2.71%. The prevailing discount rate of State Bank of Pakistan (SBP) is 22% as of December 31, 2023. There is a slightly increase in the WAIR for the entire debt portfolio from 2.69%, (as of June 2023), to 2.71% due to increase in rates of variable loans.

The Total Revenue Receipt (TRR), Current Revenue Expenditure (CRE), and Debt Servicing (Principal + Interest) were Rs. 912.85 billion, Rs. 608.57 billion and Rs. 34.08 billion till the end of December 2023.

The bulletin provides an authentic source document for general purposes and reflects government's resolve to provide easy access to information to public. It contains data regarding (i) Overview of provincial debt, (ii) Increase in public debt portfolio, (iii) Debt servicing, (iv) Composition and structure of debt, and (v) Snapshot of specific debt risk indicators.

2.0 OVERVIEW OF TOTAL PUBLIC DEBT

Total public debt defined as "the sum of domestic and external debts of the Government with defined terms and conditions for repayment for each". It excludes the debt of public corporations/entities controlled by the provincial government. The following table depicts the composition of Sindh's debt portfolio.

Table -1: Overview of Provincial Debt

	June-22	Dec-22	June-23	Dec-23
Rs. In Million				
Domestic Debt	15,235	14,378	13,293	12,275
External Debt	560,847	619,251	894,507	967,007
Total Debt	576,082	633,629	907,800	979,282
Sindh's GDP	16,402,726	16,402,726	20,596,845	20,596,845
(In Percent of Sindh's GDP)				
Domestic Debt	0.09	-	0.06	-
External Debt	3.42	-	4.34	-
Total Debt	3.51	-	4.41	-
(In Percent of Total Public Debt)				
Domestic Debt	2.64	2.27	1.46	1.25
External Debt	97.36	97.73	98.54	98.75
(USD in Million)				
Domestic Debt	74.01	63.50	46.48	44.08
External Debt	2,724.54	2,734.85	3,127.76	3,455.40
Total Debt	2,798.55	2,798.35	3,174.24	3,499.49
Exchange Rate (PKR/USD)	205.85	226.43	285.99	281.86

• Note: Pakistan GDP data fetched from <https://www.sbp.org.pk/ecodata/index2.asp>
 • Sindh GDP calculated @ 24.5% of national GDP as per NFC award formula

3.0 Reasons for Increase in Total Debt

During July-Dec 2023, the increase of Rs. 71,482 million is mainly because of the inclusion of active loans disbursement for PKR 111,113 million. In addition to this, total principal re-payment and currency appreciation impact were of PKR 22,696 million and PKR 16,935 million respectively.

Table -2: Reasons for Increase in Total Debt. (Rs. In million)

	June-22	Dec-22	June-23	Dec-23
Increase in Total Debt	121,197	57,546	331,718	71,482
Currency Depreciation / (Appreciation)	96,283	49,187	228,175	-16,935
Disbursement - Principal Payments	24,914	8,359	103,543	88,417

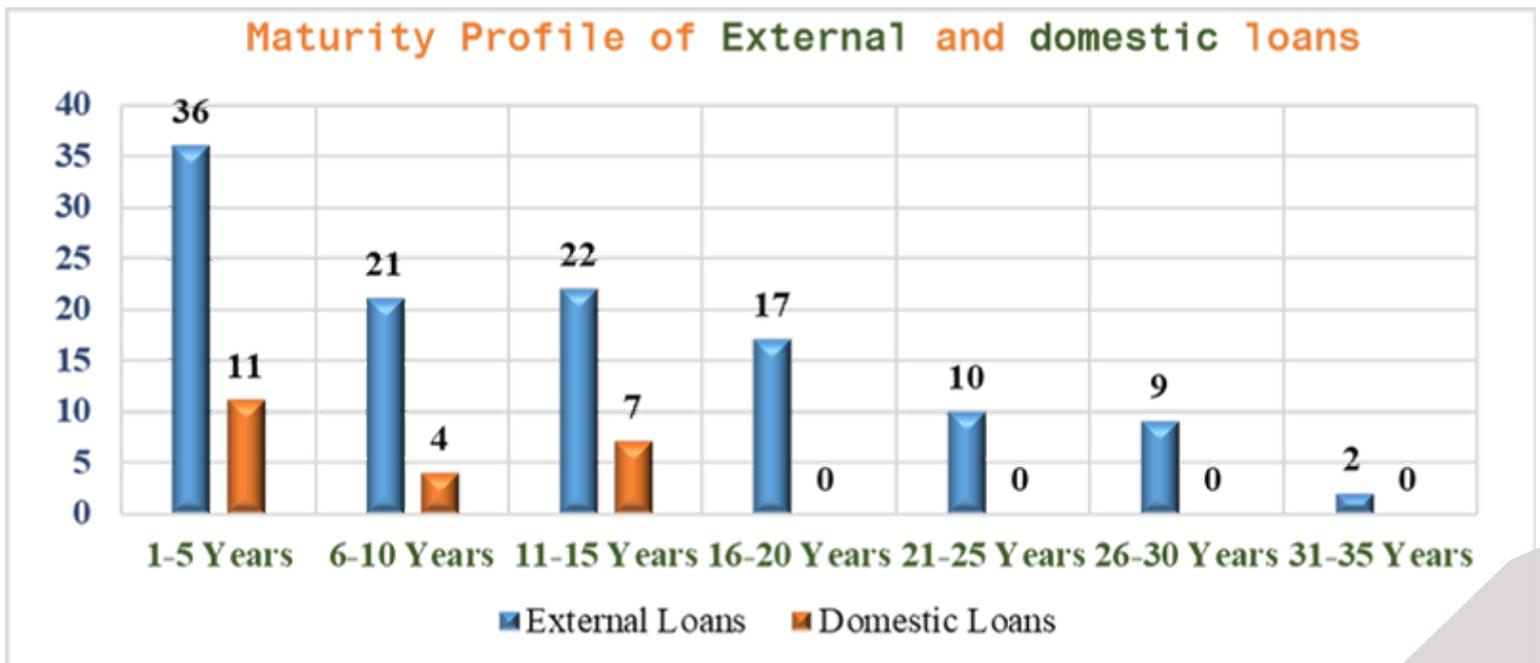
4.0 Maturity Profile of External and Domestic Loans

The following shows the maturity profile of both external and domestic loans in upcoming years till their full maturity.

Table -3: Maturity Profile of External and Domestic Loans

	1-5 Years	6-10 Years	11-15 Years	16-20 Years	21-25 Years	26-30 Years	31-35 Years	Total
External Loans	36	21	22	17	10	9	2	117
Domestic Loans	11	4	7	0	0	0	0	22
Total Loans	47	25	29	17	10	9	2	139

Note: Above table is prepared based on the remaining maturity of debt stock.

Fig -1: Maturity Profile of External and Domestic Loans

5.0: Glimpse of Recent Borrowing Activities

During July - Dec 2023, an amount of PKR 111,113 million was disbursed on account of twenty-seven (27) foreign loans from four (04) multilateral agencies (IDA/IBRD, ADB, IsDB & AIIB) and one (01) bilateral agency (South Korea).

There are ten (10) new Loans which were signed in the last 02 years for total amount of USD 2,587 million. Almost 91% of these new loans were signed on concessional rates (Fixed) and remaining 9% on variable rates (SOFR plus spread). The variable rate has now increased to around 6.73% that includes 6M SOFR rate of 5.38% (as published on Dec 31, 2023) plus variable spread around 1.35%. In current situation, the actual cost is much higher when comparing to concessional financing on 2.0% only.

TABLE -4: RECENT BORROWING ACTIVITIES

(Amount in USD million)

	Name of Loans	Lender	Sanctioned Amount	Type (Fixed / Variable)
1.	Sindh Flood Emergency Rehabilitation Project	IDA	500	Fixed
2.	Sindh Flood Emergency Housing Reconstruction Project	IDA	500	Fixed
3.	Sindh Water and Agriculture Transformation Project (I)	IDA	292	Fixed / variable
4.	Strengthening Social Protection Delivery System in Sindh	IDA	200	Fixed
5.	Sindh Integrated health and Population Project	IDA / IsDB	250	Fixed / variable
6.	Sindh Emergency Flood Assistance Project	ADB	200	Fixed
7.	Sindh Resilience Project (Phase II)	IDA	200	Fixed
8.	Sindh Early Learning Enhancement Through Classroom Transformation (SELECT)	IDA	100	Fixed
9.	National Health Support Program (NHSP)	IDA	70	Fixed
10.	Sindh Secondary Education Improvement Project Additional Financing	ADB	275	Fixed
	Total		2,587	

There are seven (07) more loans currently in negotiation or in concept paper clearance phase for total USD 1,814 million which are likely to 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 more than 75% (excluding average rupee depreciation) in the next 5-7 years period.

TABLE -5: RECENT LOANS IN NEGOTIATIONS

(Amount in USD million)

Name of Loans**Lender****Sanctioned
Amount**1. Sindh Coastal
Resilience Project

ADB

180

2. Karachi Water and
Sewerage Services
Improvement Project
(Phase II)IBRD (200
M) / AIIB
(200 M)

400

3. Sindh Secondary Cities
Improvement Project

ADB

300

4. Livestock/AquaCulture
Operations in Sindh

IDA

134

5. Sindh Transformational
Accelerated Rural
Services – Water
Sanitation & Hygiene
Project (STARS-WASH)

IDA

200

6. Sindh Flood Emergency
Housing Reconstruction
Project

IsDB

200

7. Sindh Flood Emergency
Housing Reconstruction
Project

ADB

400

Total**1,814**

6.0 Liability by Sector (External Debt Portfolio)

Debt Bulletin (July-Dec 2023)

(Rupees in million)

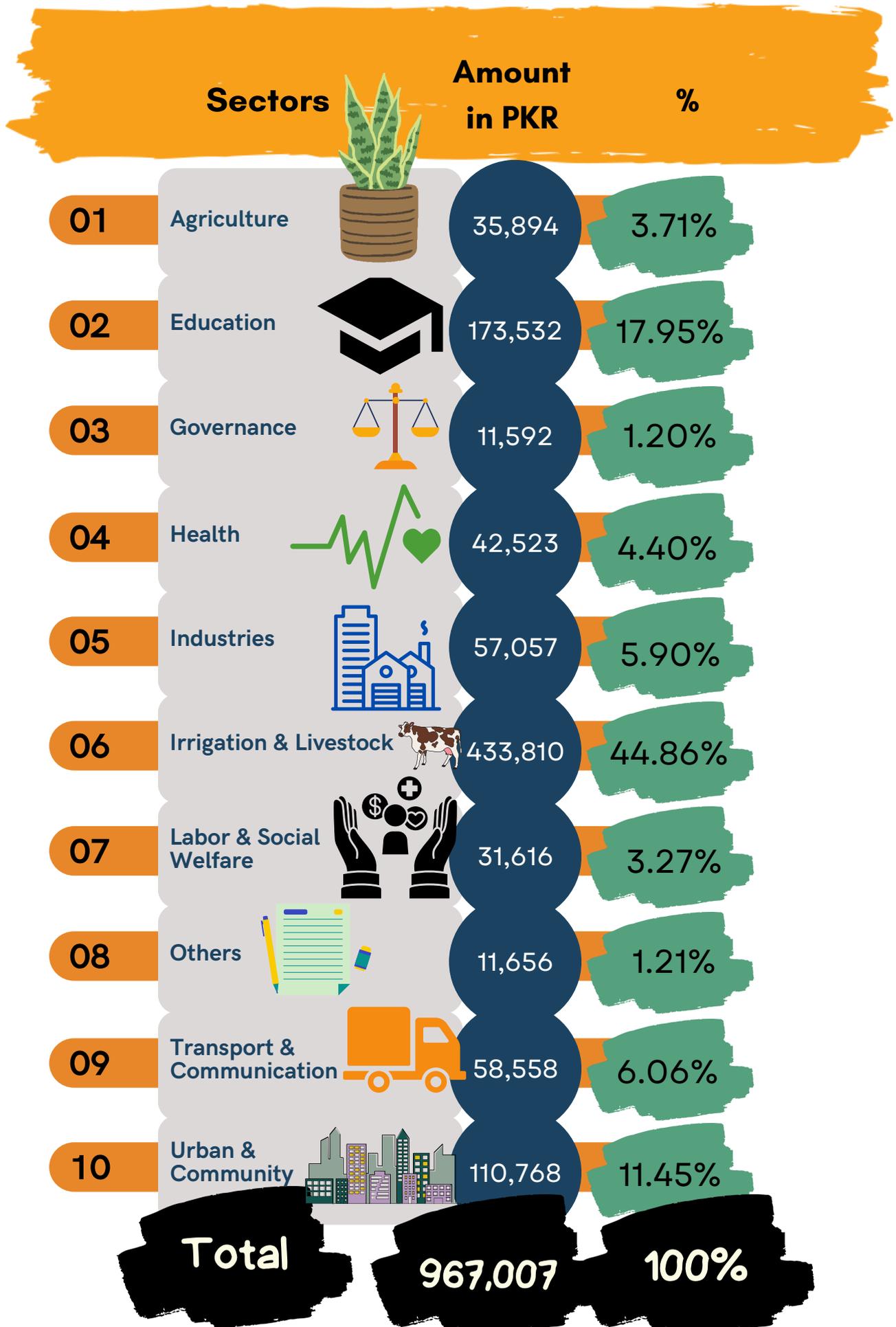
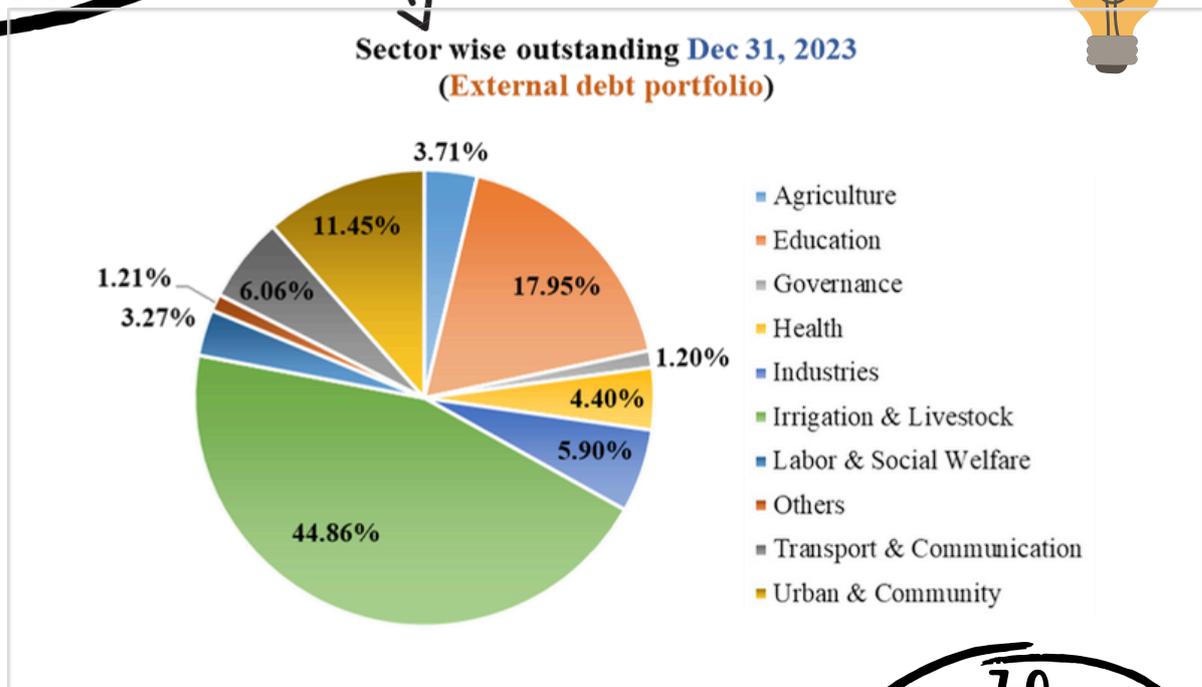


FIG -2: LIABILITY BY SECTOR



The amount has increased by a total of PKR 71,482 million during July - December 2023. Total loan disbursements and principal payments recorded for the year were PKR 111,113 million and PKR 22,696 million and a currency appreciation impact of PKR 16,935 million

7.0
COMPOSITION BY LENDER

Table -7: Composition by Lender

(Amount in million)

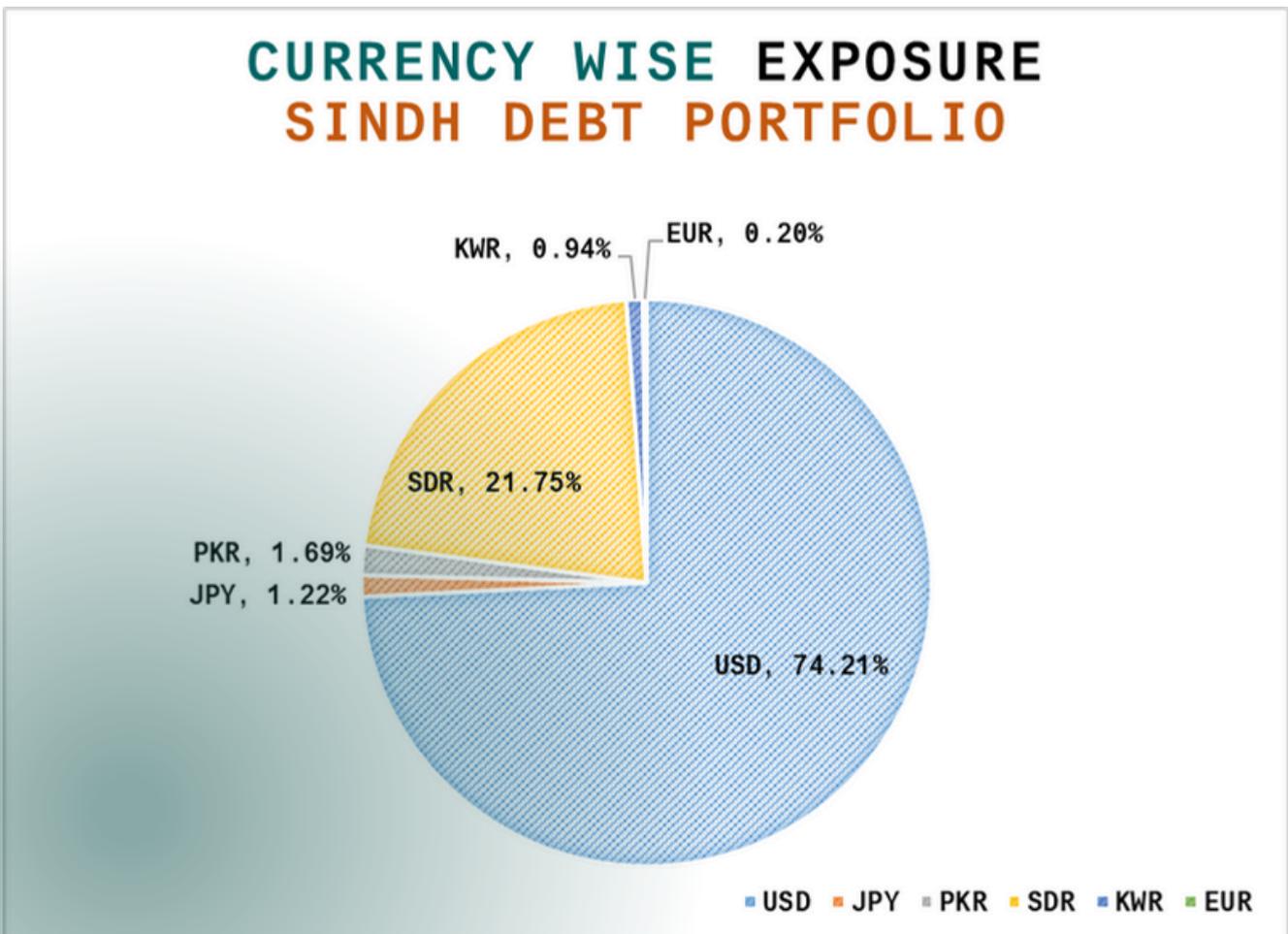
Agency	Frequency	Outstanding (million PKR)	% of Total
IDA	64	692,012	70.17%
ADB	40	210,464	22.04%
IFAD	2	305	0.03%
IBRD	4	34,949	3.54%
Japan	3	11,909	1.21%
korea	1	9,236	0.94%
AIIB	2	6,211	0.63%
AFD	1	1,921	0.19%
Federal Govt.	22	12,275	1.24%
Total	139	979,282	100%

8.0 Exposure by Currency

The US Dollar dominates with **74.21%** of the total debt portfolio, but Sindh has managed to diversify its portfolio by **21.75%** in SDR, which comprises a basket of 05 currencies. The PKR is **1.69%** of the total portfolio; others are negligible.

Fig -3: Currency Wise Exposure

Currency Wise Exposure Sindh Debt Portfolio Dec 31, 2023			
Currencies	Frequency	Outstanding (million PKR)	% of total
US Dollar	100	726,683	74.21%
JPY	3	11,909	1.22%
Pak Rupees	23	16,558	1.69%
SDR	11	212,974	21.75%
KWR	1	9,236	0.94%
EUR	1	1,921	0.20%
Total	139	979,282	100%



9.0 DEBT RISK INDICATORS

Foreign Exchange / FX Risk: The share of foreign currency-denominated loans is **98.75%** of the total Sindh debt portfolio, which consider to be higher exposure to Currency risk/Exchange rate risk.

Interest Rate Risk: Debt re-fixing in one year as a percentage of the total is **24.98%**, which is on the lower side. It includes debt on fixed -rate maturing within the current year plus sixteen (16) SOFR Based loans, re-fixed after every 06 months.

ATR (Average time to re-fixing): For a complete debt portfolio is **8.42** 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 **4.90%** of the total debt portfolio, which is low, considering its exposure to refinancing risk.

ATM (average time to maturity): For a complete debt portfolio is **12.12** years, which shows the debt portfolio average maturity period is high and indicates low exposure to refinancing risk.

TABLE -9: DEBT RISK INDICATORS

Risk Indicators		Domestic Debt	External Debt	Total Public Debt	Domestic Debt	External Debt	Total Public Debt
		End-June 2023			End-Dec 2023		
FX risk	FX debt (% of total debt)		98.50%			98.75%	
Interest rate risk	Debt Re-fixing in 1 year (% of total)	15.31%	24.71%	24.86%	15.31%	24.89%	24.98%
	Fixed rate debt (% of total)	100%	76.70%	76.70%	100%	78.44%	78.44%
	*ATR (years)	5.03	8.53	8.12	5.36	8.38	8.42
Refinancing risk	Debt maturing in 1 year (% of total)	15.31%	4.71%	4.90%	15.31%	4.71%	4.90%
	*ATM (years)	5.03	11.28	11.19	5.36	12.21	12.12

The Key impact is due to gradual increase in foreign loan variable rate of 5.38% (SOFR) plus variable spread in the range between 1.35% - 2.5% and depreciation of PKR against foreign currencies.

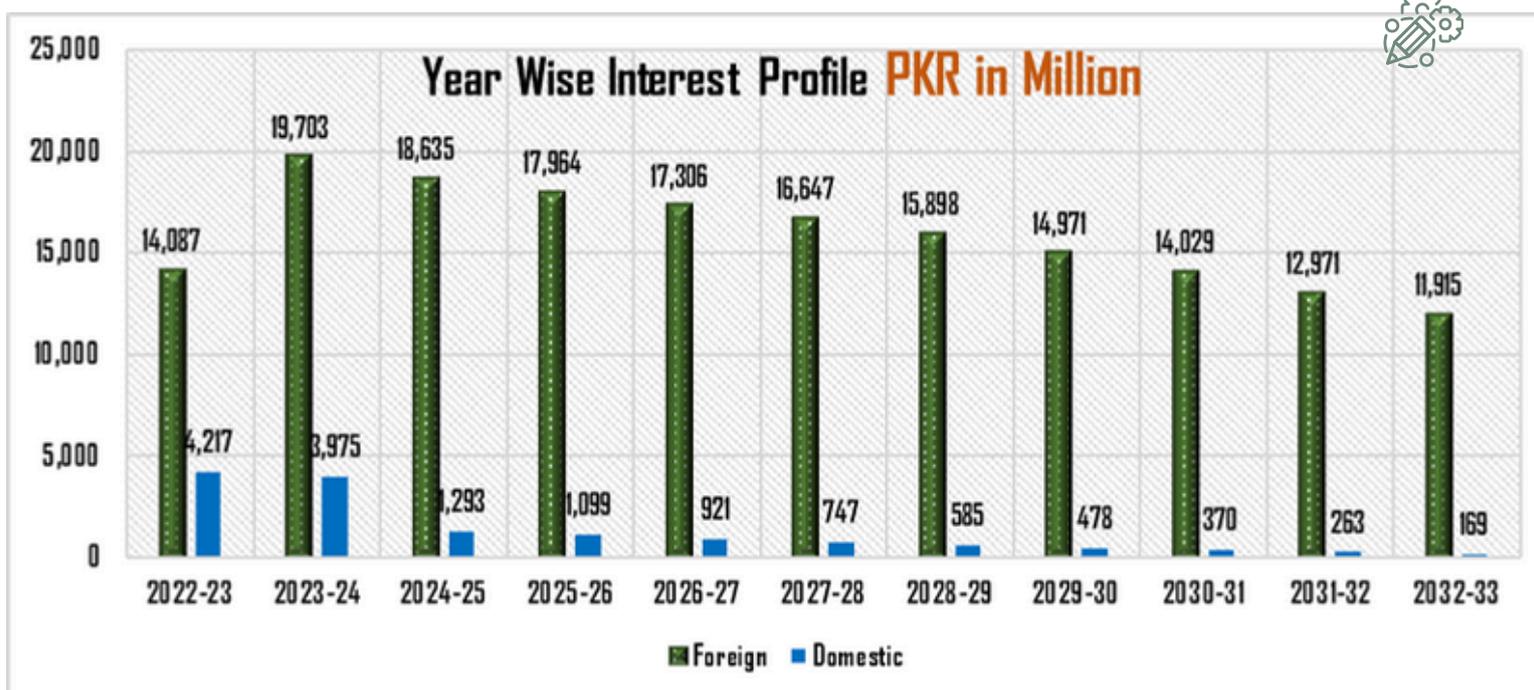
10. Interest Composition for External and Domestic loans



Table- 10: Interest Composition for External and Domestic Loans

FY	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
External Interest	14,087	19,703	18,635	17,964	17,306	16,647	15,898	14,971	14,029	12,971	11,915
Domestic Interest	4,217	3,975	1,293	1,099	921	747	585	478	370	263	169
Total Interest	18,304	23,678	19,928	19,062	18,227	17,394	16,483	15,449	14,399	13,234	12,084

Figure -4: Interest Composition for External and Domestic Loans



Principal redemption profile shows increase an average of 18.27% in principal repayment from FY 2022-23 to FY 2023-24 mainly due to inclusion of new loans with principal payments due in specific years and also because of local currency depreciation.

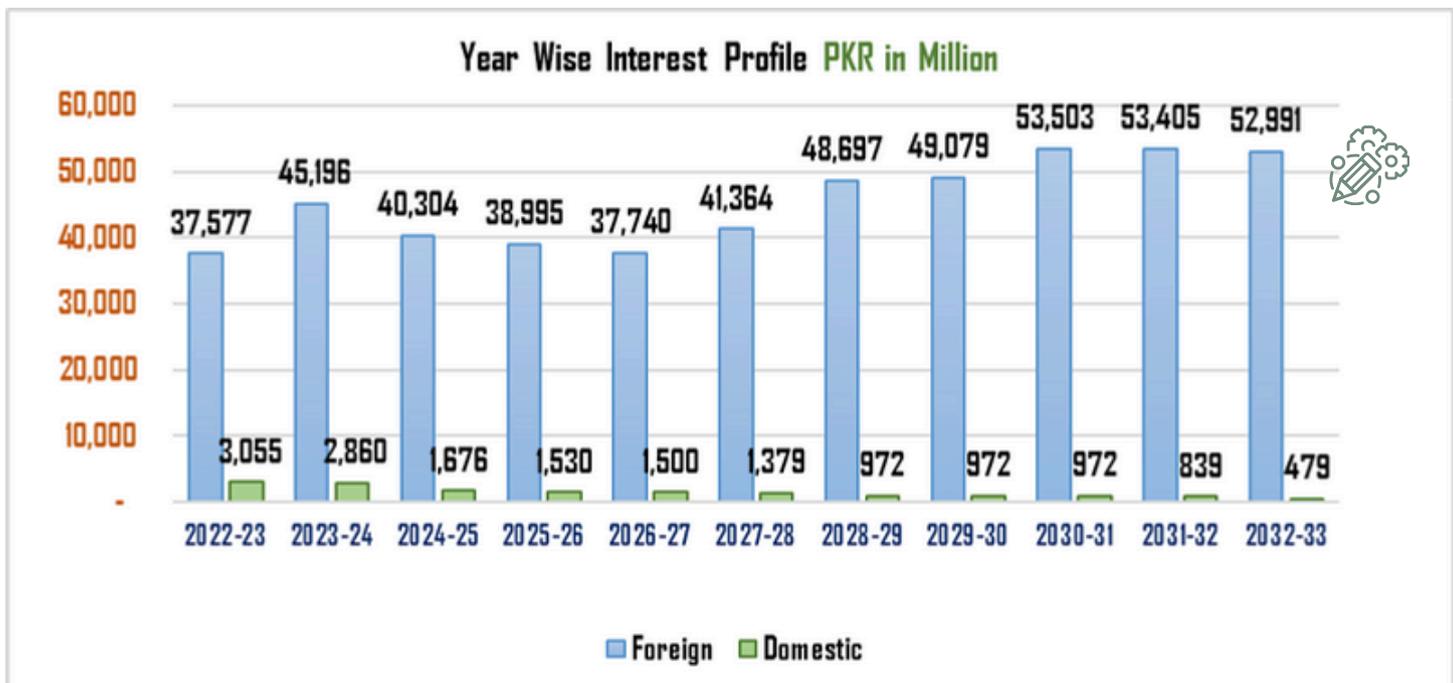
11. Principal Composition for External and Domestic Loans



Table- 11: Principal Composition for External and Domestic Loans

FY	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
External Principal	37,577	45,196	40,304	38,995	37,740	41,364	48,697	49,079	53,503	53,405	52,991
Domestic Principal	3,055	2,860	1,676	1,530	1,500	1,379	972	972	972	839	479
Total Principal	40,632	48,056	41,980	40,525	39,240	42,743	49,669	50,051	54,474	54,244	53,470

Fig -5: Principal Composition for External and Domestic Loans



12. Government Guarantees

Government guarantee is formal assurance by the Government for repayment of debt and related expenditures on account of a financial liability in the event of a default by the primary creditor. Provincial borrowing limit that includes guarantee for PKR 60.8 billion has allowed dated August 17th 2017, by National Economic Council (NEC). At the end of Dec 2022, GoS has extended total guarantee amount of PKR 5.0 billion only.

13. Glossary

ATM: Average time to maturity measures the weighted average time to maturity of all the principal payments in the portfolio.

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.

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.

TRR: Means all tax and non-tax receipts to the Government including federal grants to the province but not including loans or grants received from other entities.

CRE: Means the expenditure on goods and services for consumption or utilization in a financial year and may include employees related expense, retirement benefits, operating expenses, repair and maintenance, subsidies, transfer payments and grants.

Interest Rate Risk: Indicates the exposure of debt portfolio to any variation in interest rates.

Re-financing risk: Is the risk to measure its vulnerability against rolling over the debt on higher interest rates.

SBP: The State Bank of Pakistan (SBP) is incorporated under the State Bank of Pakistan Act, 1956, which gives the Bank the authority to function as the central bank of the country.

WAIR: (Weighted average interest rate) is the aggregate rate of interest paid on all debt.