



DEBT BULLETIN SINDH

(BI-ANNUAL)
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2024



Prepared by
DEBT MANAGEMENT UNIT
FINANCE DEPARTMENT | GOS

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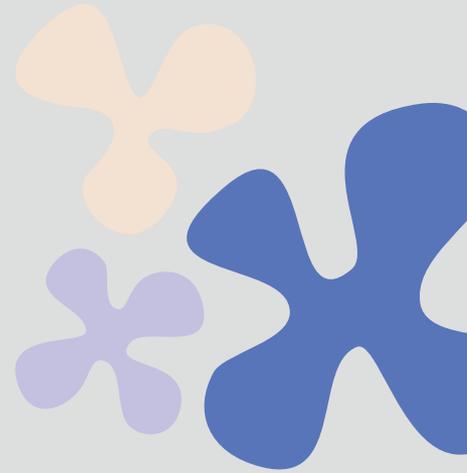
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List Of Abbreviations

ADB	Asian Development Bank
AFD	French Development Agency (Agence Française de Développement)
AIIB	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
SWEEP	Solid Waste Emergency and Efficiency Project
SW&ATP	Sindh Water & Agriculture Transformation 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
TRR	Total Revenue Receipts
WAIR	Weighted Average Interest Rate



Summary

The publication of the Sindh Debt Bulletin as of June 30, 2024 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 11.04% which is higher than the WAIR of 2.52% for the external loans, for reasons of securing high interest-bearing loans. Whereas, the total WAIR for the entire debt portfolio is 2.63%. The prevailing discount rate of State Bank of Pakistan (SBP) is 19.5% as of June 30, 2024. There is a decrease in the WAIR for the entire debt portfolio from 2.69%, (as of June 2023) to 2.63%, due to inclusion of concessional loans in portfolio and also reduction in 6-month SOFR rates.

The Total Revenue Receipt (TRR), Current Revenue Expenditure (CRE), and Debt Servicing (Principal + Interest) were Rs. 1,801.41 billion, Rs. 1,439.65 billion and Rs. 73.41 billion in FY 2023-24.



1.0 Introduction

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**

	Jun-22	Jun-23	Jun-24
Rs. In Million			
Domestic Debt	15,235	13,293	13,730
External Debt	560,847	894,507	1,051,255
Total Debt	576,082	907,800	1,064,985
Sindh's GDP	16,402,726	20,596,845	25,981,050
(In Percent of Sindh's GDP)			
Domestic Debt	0.09	0.06	0.05
External Debt	3.42	4.34	4.05
Total Debt	3.51	4.41	4.1
(In Percent of Total Public Debt)			
Domestic Debt	2.64	1.46	1.29
External Debt	97.36	98.54	98.71
(USD in Million)			
Domestic Debt	74.01	46.48	49.32
External Debt	2,724.54	3,127.76	3,776.33
Total Debt	2,798.55	3,174.24	3,825.65
Exchange Rate (PKR/USD)	205.85	285.99	278.38

Note:

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



3.0 Reasons for Increase in Total Debt

During FY 2023-24, the increase of Rs. 157,185 million is mainly because of the inclusion of active loans disbursement for Rs. 223,598 million. In addition to this, total principal re-payment and currency appreciation impact were of Rs. 45,322 million and Rs. -21,091 million respectively.

(Rs. In Million)

Table -2:
Reasons for Increase in Total Debt

	Jun-22	Jun-23	Jun-24
Increase in Total Debt	121,197	331,718	157,185
Currency Depreciation / (Appreciation)	96,283	228,175	(21,091)
Disbursement - Principal Payments	24,914	103,543	178,276

4.0 Maturity Profile of External and Domestic Loans

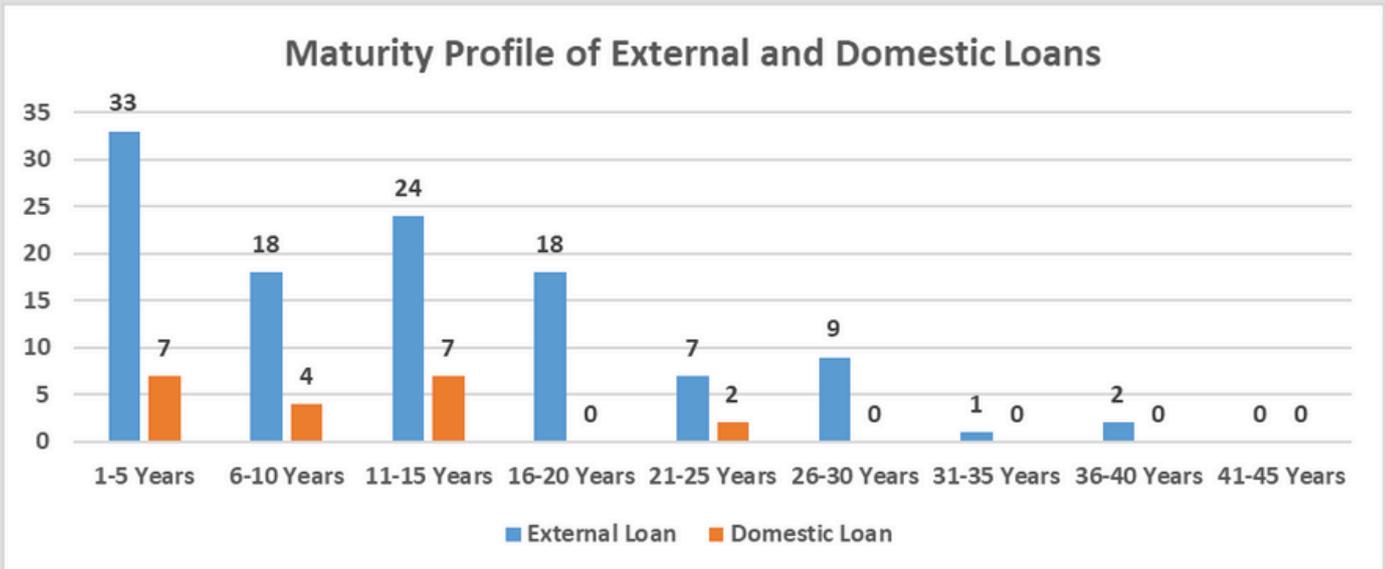
The following shows the maturity profile of both external and domestic loans in upcoming years till their full maturity.

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	36-40 Years	Total
External Loans	33	18	24	18	7	9	1	2	112
Domestic Loans	7	4	7	0	2	0	0	0	20
Total Loans	40	22	31	18	9	9	1	2	132

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



Figure - 1: Maturity Profile of External and Domestic Loans

5.0 Glimpse of Recent Borrowing Activities

During July – June 2024, an amount of Rs. 223,598 million was disbursed on account of twenty-five (25) foreign loans from four (04) multilateral agencies (IDA/IBRD, ADB, IsDB & AIIB) and one (01) bilateral agency (South Korea).

There are nine (09) new loans that were signed in the last 02 years for a total amount of USD 2,144 million. Almost 81% of these new loans were signed on concessional rates (Fixed) and the remaining 19% on variable rates (SOFR plus spread). The variable rate has now increased to around 6.74% which includes 6M SOFR rate of 5.39% (as published on Jun 30, 2024) plus a variable spread of around 1.35%. In current situation, the actual cost is much higher compared to concessional financing on 2.0% only.





Table - 4:
Recent
Borrowing
Activities

(Amount In USD Million)

S. No	Name of Loans	Lender	Sanctioned Amount	Type (Fixed / Variable)
1	Additional Financing for Sindh Barrage Improvement Project	IDA	126.79	Fixed
2	Sindh Integrated Health and Population Project	IDA	200	Fixed
3	Sindh Integrated Health and Women Empower Program	IsDB	50	Variable
4	Sindh Flood Emergency Rehabilitation Project	IDA	500	Fixed
5	Sindh Flood Emergency Housing Reconstruction Project	IDA	500	Fixed
6	Sindh Water and Agriculture Transformation Project (SWAT)	IDA	98	Fixed
7	Sindh Water and Agriculture Transformation Project (SWAT)	IDA	194	Variable
8	Sindh Secondary Education Improvement Project, Additional Financing	ADB	275	Fixed
9	Sindh Housing Reconstruction Project	IsDB	200	Variable
	Total		2,143.79	

There are six (06) more loans currently in negotiation or in concept paper clearance phase for total USD 1,960 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 50% (excluding average rupee depreciation) in the next 5-7 years period.

Table - 5:
Recent
Loans in
Negotiations

(Amount In USD Million)

S. No	Name of Loans	Lender	Sanctioned Amount
1	Sindh Coastal Resilience Project	ADB	245
2	Karachi Water and Sewerage Services Improvement Project (Phase II)	IBRD (240 M) / AIIB (240 M) / ADB (50 M)	530
3	Livestock/Aquaculture Operations in Sindh	IDA	135
4	Sindh Transformational Accelerated Rural Services – Water Sanitation & Hygiene Project (STARS-WASH)	IDA	200
5	Sindh Housing Reconstruction Project	ADB	400
6	Sindh Flood Rehabilitation Project – Additional Financing	IDA	450
	Total		1,960



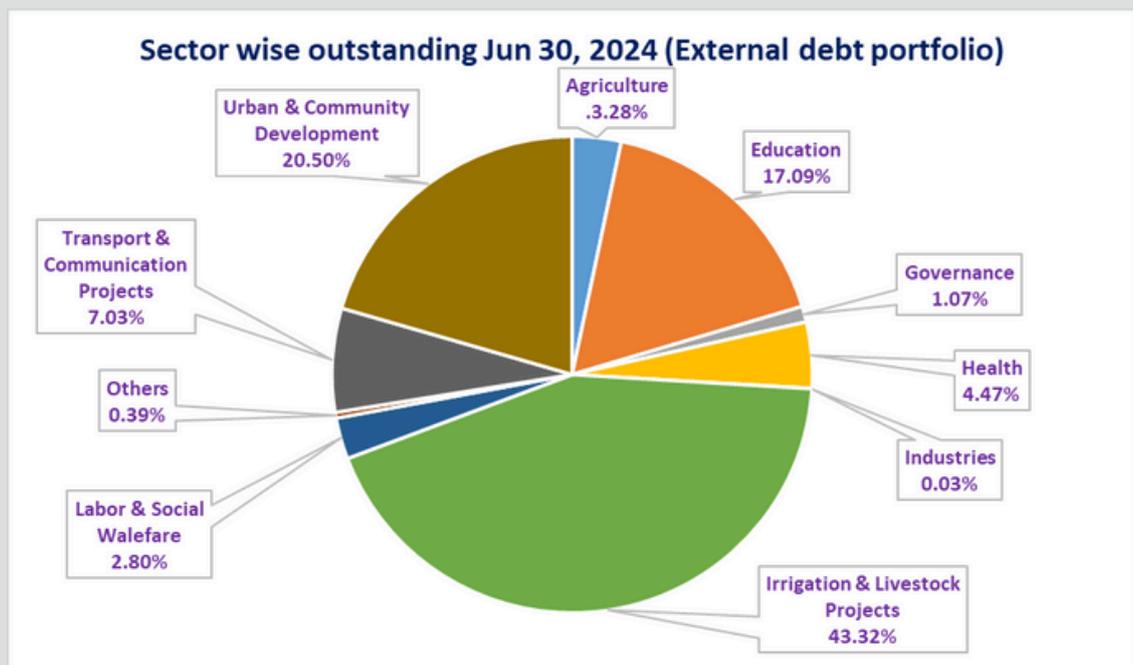
6.0 Liability by Sector (External Debt Portfolio)

(Rs. In Million)

Table - 6:
Liability by
Sector

S. No	Sectors	Amount	Percentage
1	Agriculture	34,529	3.28%
2	Education	179,704	17.09%
3	Governance	11,231	1.07%
4	Health	47,036	4.47%
5	Industries	323	0.03%
6	Irrigation & Livestock	455,360	43.32%
7	Labor & Social Welfare	29,446	2.80%
8	Others	4,124	0.39%
9	Transport & Communication	73,955	7.03%
10	Urban & Community	215,547	20.50%
	Total	1,051,255	100%

Figure - 2:
Liability by
Sector



7.0 Composition by Lender

The amount has increased by a total of Rs. 157,185 million during July-June 2024. Total loan disbursements and principal payments recorded for the year were Rs. 223,598 million and Rs. 45,322 million and a currency appreciation impact of Rs. -21,091 million.



(Rs. In Million)

Table - 7:
Composition
by Lender

Composition by Creditor			
Agency	Frequency	Outstanding Amount	% of total
IDA	61	759,879	71.35%
ADB	38	218,238	20.49%
IFAD	2	278	0.03%
IBRD	4	41,728	3.92%
Japan	2	9,549	0.90%
Korea	1	9,742	0.91%
AIIB	2	8,920	0.84%
AFD	1	1,828	0.17%
IsDB	1	1,092	0.10%
Federal Govt.	20	13,730	1.29%
Total	132	1,064,985	100%



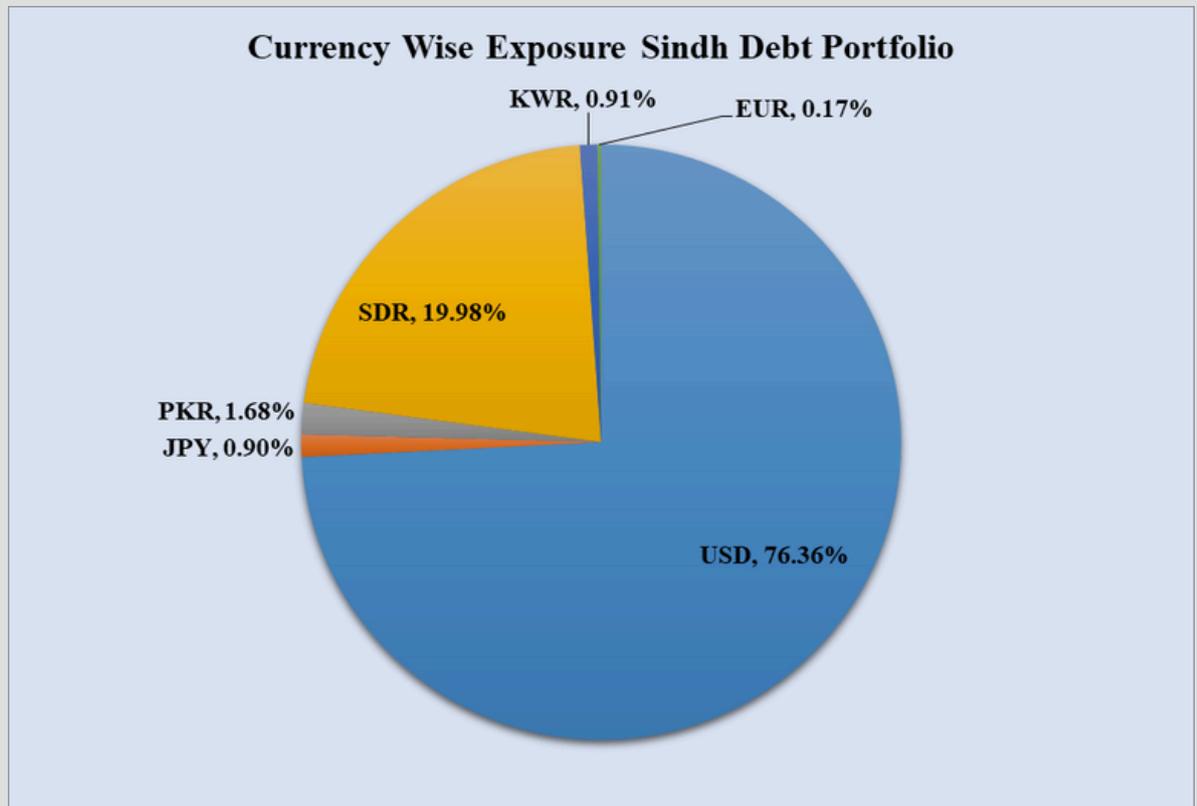
8.0 Exposure by Currency

The US Dollar dominates with 76.36% of the total debt portfolio, but Sindh has managed to diversify its portfolio by 19.98% in SDR, which comprises a basket of 05 currencies. The Rs. is 1.68% of the total portfolio; others are negligible.

Table - 8: Exposure by Currency (Rs. In Million)

Currency Wise Exposure Sindh Debt Portfolio Jun 30, 2024			
Currency	Frequency	Outstanding	% of total
USD	96	813,219	76.36%
JPY	2	9,549	0.90%
PKR	21	17,854	1.68%
SDR	11	212,792	19.98%
KWR	1	9,742	0.91%
EUR	1	1,828	0.17%
Total	132	1,064,985	100%

Figure - 3:
Currency
Wise
Exposure



9.0 Debt Risk Indicators

Foreign
Exchange /
FX Risk

The share of foreign currency-denominated loans is 98.32% of the total Sindh debt portfolio, which consider being higher exposure to Currency risk/Exchange rate risk.

Interest
Rate Risk

Debt re-fixing in one year as a percentage of the total is 23.53%, 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 9.48 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 3.98% 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 12.01 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- June 2024		
FX risk	FX debt (% of total debt)	98.50%			98.32%		
Interest rate risk	Debt Re-fixing in 1 year (% of total)	15.31%	24.71%	24.86%	14.82%	22.92%	23.53%
	Fixed rate debt (% of total)	100%	76.70%	76.70%	100%	81.27%	81.27%
	*ATR (years)	5.03	8.53	8.12	5.88	9.36	9.48
Refinancing risk	Debt maturing in 1 year (% of total)	15.31%	4.71%	4.90%	12.45%	3.87%	3.98%
	*ATM (years)	5.03	11.28	11.19	5.88	12.09	12.01

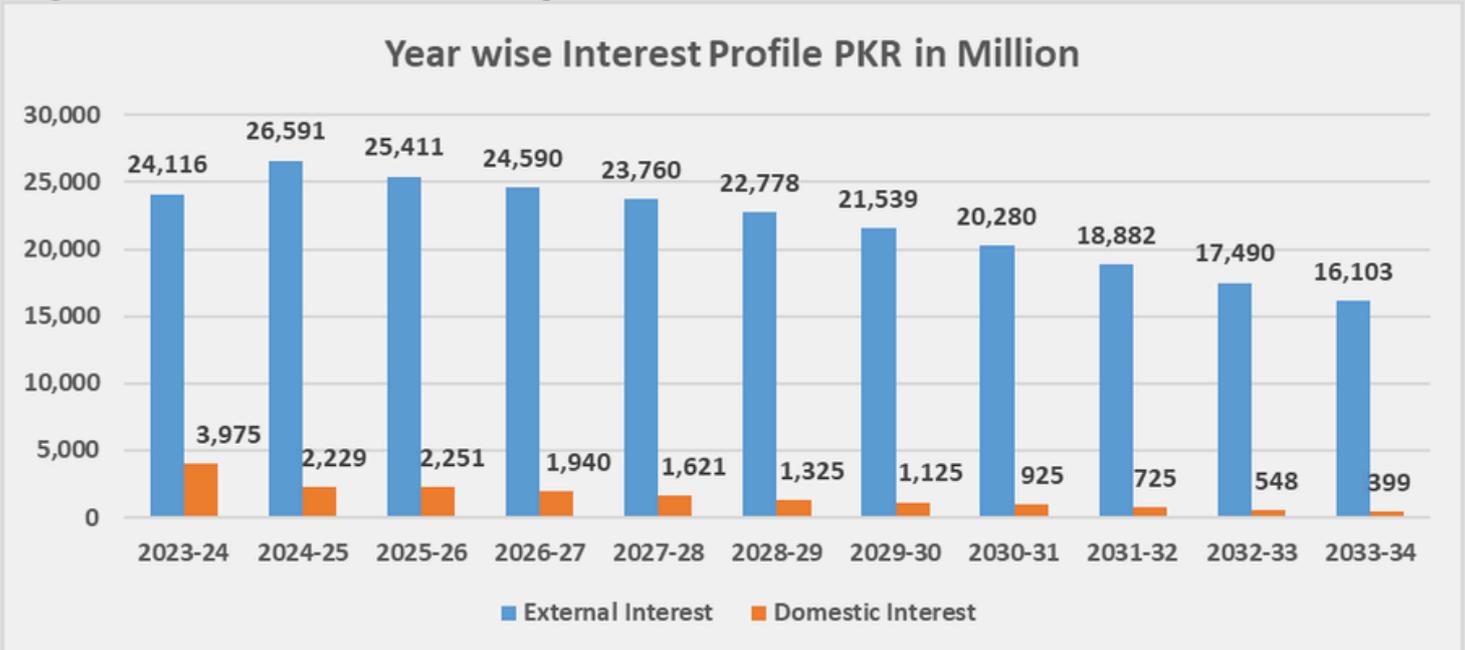
10.0 Interest Composition for External and Domestic loans

The Key impact is due to gradual increase in foreign loan variable rate category to 18.73% and prevailing rate to 5.39% (SOFR) plus variable spread in the range between 1.35% - 2.5%.

Table - 10: Interest Composition for External and Domestic Loans
(Rs. In Million)

FY	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34
External Interest	24,116	26,591	25,411	24,590	23,760	22,778	21,539	20,280	18,882	17,490	16,103
Domestic Interest	3,975	2,229	2,251	1,940	1,621	1,325	1,125	925	725	548	399
Total Interest	28,091	28,820	27,662	26,530	25,382	24,103	22,663	21,205	19,607	18,037	16,501

Figure - 04: Interest Composition for External and Domestic Loans



11.0 Principal Composition for External and Domestic Loans

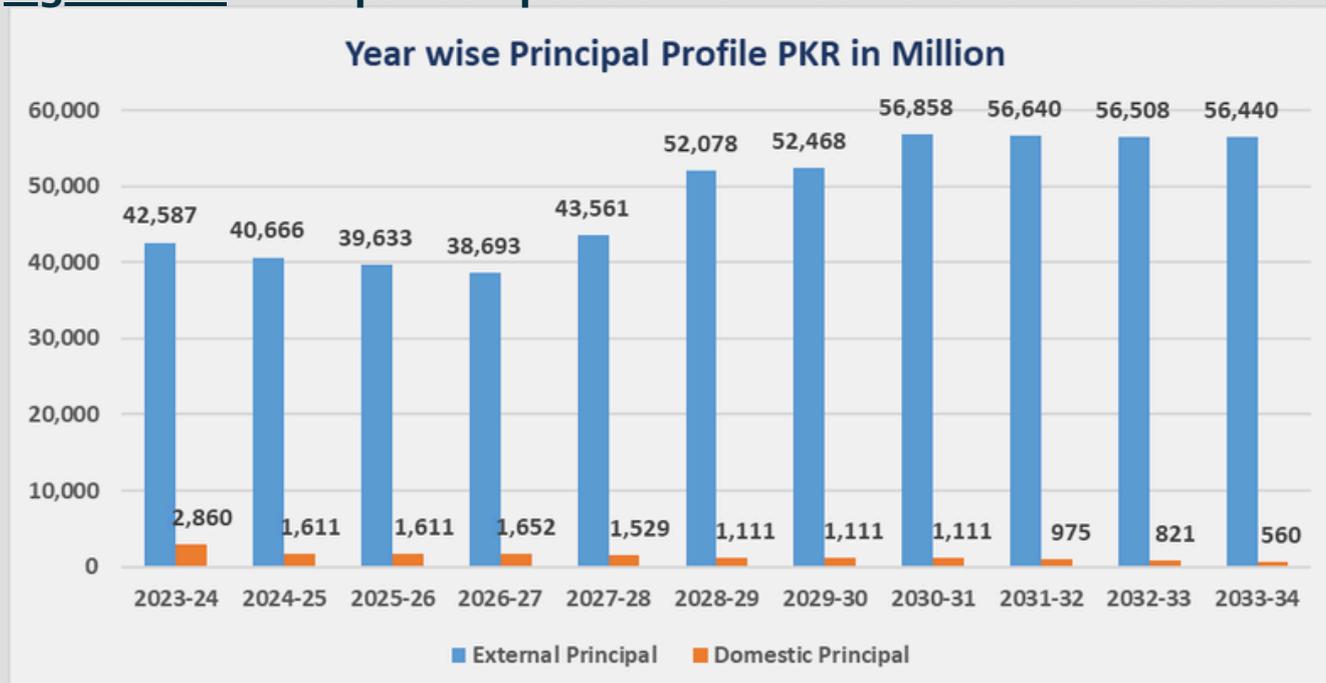
Principal redemption profile shows an average decrease of 7.5% in principal repayment from FY 2023-26. However, it will gradually increase due to inclusion of new loans with principal payment due in specific period.

Table - 11: Principal Composition for External and Domestic Loans

(Rs. In Million)

FY	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34
External Principal	42,587	40,666	39,633	38,693	43,561	52,078	52,468	56,858	56,640	56,508	56,440
Domestic Principal	2,860	1,611	1,611	1,652	1,529	1,111	1,111	1,111	975	821	560
Total Principal	45,447	42,277	41,245	40,345	45,090	53,189	53,578	57,969	57,615	57,328	57,000

Figure - 05: Principal Composition for External and Domestic Loans



12.0 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 Rs. 60.8 billion has allowed dated August 17th 2017, by National Economic Council (NEC). At the end of June 2024, GoS has extended total guarantee amount of Rs. 32.35 billion only.

13.0 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

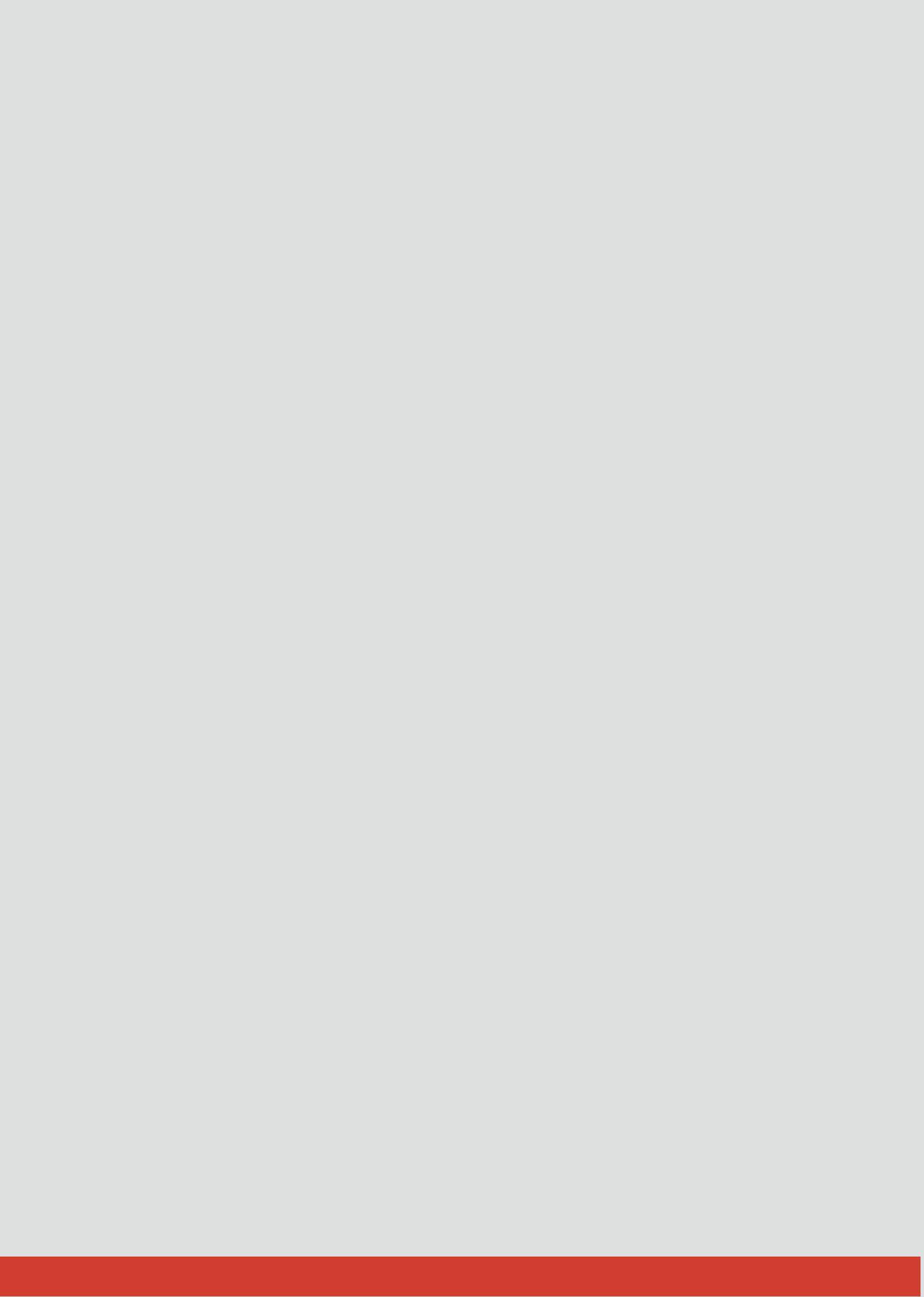
The State Bank of Pakistan (SBP) is incorporated under the State Bank of Pakistan Act, 1956, which gives the Bank the authority to function as the central bank of the country.

WAIR

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

SOFR

Secured Overnight Financing Rate (SOFR) is a secured interbank overnight interest rate and reference rate established as an alternative to LIBOR.





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