



PUBLIC DEBT-RISK INDICATORS

Table 1: Composition by creditor (PKR in million)

Agency	Count	Amount outstanding (PKR) June 30, 2019	Amount outstanding (PKR) Jun 30, 2020	% of Total Debt
World Bank	61	220,106	279,731	61.61
ADB	43	122,887	144,582	31.84
Japan	3	12,321	14,944	3.29
Fed. Govt.	23	13,026	11,866	2.61
Others	5	1,037	2,936	0.65
Total	135	369,377	454,059	100

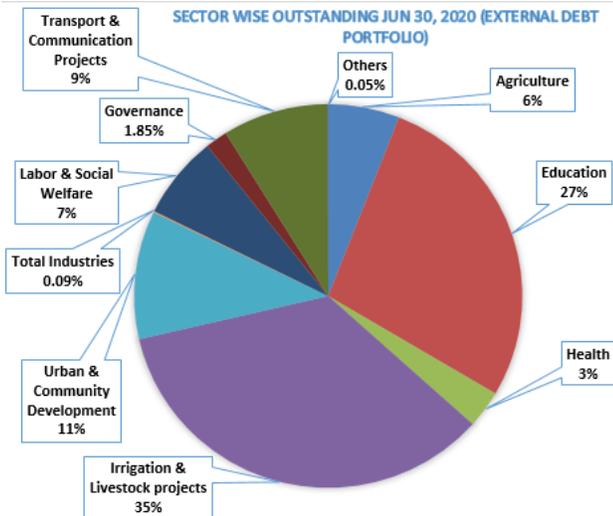


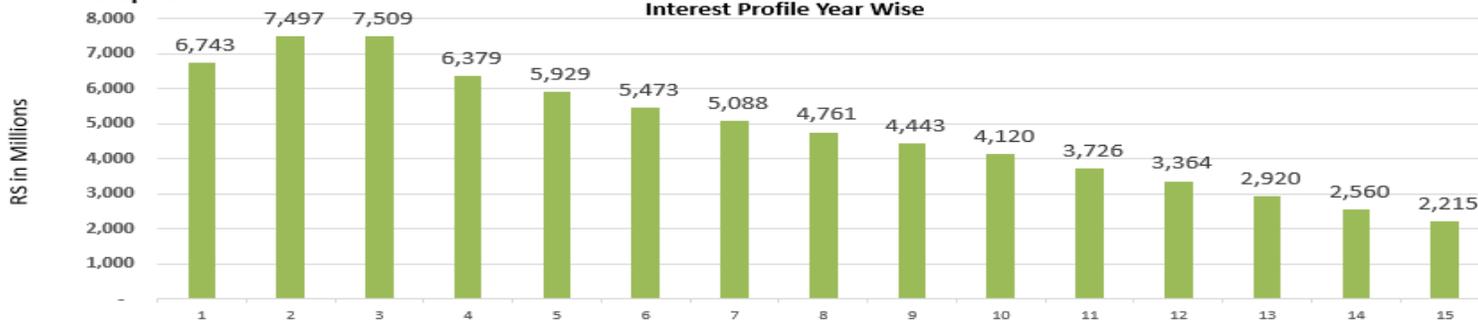
Table -2 : Risk Indicators

Risk Indicator		Domestic Debt	External Debt	Total Public Debt	Domestic Debt	External Debt	Total Public Debt
		End- June 2019			End- June 2020		
FX risk	FX debt (% of total debt)	-	96.1%	-	-	96.7%	-
Interest rate risk	Debt Re-fixing in 1 yr (% of total)	9.4%	22%	21.5%	12.8%	23.3%	23.0%
	Fixed rate debt (% of total)	100%	82.7%	83%	100%	81.8%	81.9%
	*ATR(years)	6.6	9.1	9	6.1	8.8	8.7
Refinancing risk	Debt maturing in 1 yr(% of total)	9.4%	4.6%	4.8%	12.2%	4.8%	5.0%
	*ATM(years)	6.6	11.4	11.2	6.9	11.1	10.9

Table 3: Currency Wise Exposure Sindh Debt Portfolio as of June 30, 2020

Currencies	Percentage
US Dollar	61.75%
JPY	3.29%
Pak Rupees	3.73%
SDR	30.73%
Others	0.49%
Total	100%

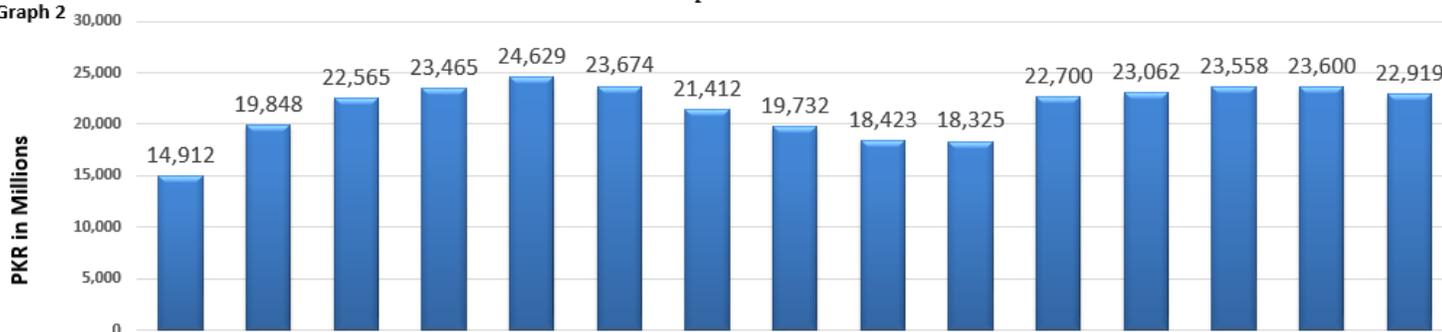
Graph 1



Years	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
External Interest	5,008	5,907	6,070	5,130	4,845	4,566	4,312	4,080	3,859	3,639	3,342	3,034	2,646	2,346	2,051
Domestic Interest	1,735	1,590	1,439	1,249	1,084	907	776	681	584	481	384	330	274	214	164
Total Interest	6,743	7,497	7,509	6,379	5,929	5,473	5,088	4,761	4,443	4,120	3,726	3,364	2,920	2,560	2,215

Principal Profile Year Wise

Graph 2



Years	2,019	2,020	2,021	2,022	2,023	2,024	2,025	2,026	2,027	2,028	2,029	2,030	2,031	2,032	2033
EXTERNAL	13,806	18,688	21,255	22,171	23,320	22,602	20,602	18,916	17,570	17,506	22,222	22,534	22,995	22,999	22,408
DOMESTIC	1,106	1,160	1,310	1,294	1,309	1,072	810	816	853	819	478	528	563	601	511
TOTAL PRINCIPAL	14,912	19,848	22,565	23,465	24,629	23,674	21,412	19,732	18,423	18,325	22,700	23,062	23,558	23,600	22,919

* ATR: Average Time to Refixing
 **ATM: Average Time to Maturity

Summary:

The publication of Sindh Debt Bulletin as of Jun 30, 2020 determines Government's commitment to transparency and accountability with respect to public debt management. 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 12.8% which is relatively high when comparing to external portfolio WAIR for 1.55% only, due to old domestic loans before year 2000, on very high rates. Total WAIR for entire portfolio is 2%. Current prevailing SBP (State Bank of Pakistan) discount rate is 7% and Sindh Government has not opting for any domestic loans from last many years. In previous debt bulletin as of Dec 31, 2019, WAIR for external debt portfolio was around 2% which remains in a same range at the end of 4th Quarter FY 2019-20.

GRR (General Revenue Receipt), GRE (General Revenue Expenditure) and Debt Servicing (Principal + Interest) were PKR 856.7 billion, PKR 783.2 billion and PKR 27.38 billion in FY 2019-20. On account of GRR and GRE, Debt servicing as % was only 3.2% and 3.5% respectively.

Recent Borrowing Activities:

During last 12 months, amount of PKR 26.80 billion was disbursed on account of 20 (Twenty) foreign loans from 02 (two) multilateral agencies (World Bank & Asian Development Bank) and 01 (one) Bilateral agency (South Korea).

There are 07 (seven) 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) and Sindh Secondary Education improvement project-ADB USD 70 million ADB for more than PKR 250 billion are signed in the last 15 months period. Almost 90% 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 0.25% (Oct 23, 2020) and in current situation the actual cost is at least 33% lower than concessional financing on 2% interest rate.

There are 08 new loans currently in negotiation/concept paper clearance phase for more than PKR 260 billion (Sindh Secondary Education improvement project-ADB USD 100 million ADB, 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 Education for primary school transformation – IDA, Karachi Solid Waste Emergency and Efficiency project) USD 100 million – IBRD, Sindh Water & Agriculture transformation project-USD 450 million-IDA and Sindh Resilience Project Additional financing USD 200 million – IDA) which will be signed/approved in the next 01 year period. These loans along with the already signed/approved above mentioned loans collectively will increase the Debt portfolio at least by 100% (excluding average rupee depreciation) in next 5-6 years period. In addition to this, exclusively Karachi Circular Railway (USD 2.200 billion - PKR 340 billion) which is under discussion and if approved would increase our portfolio at least by more than 50% (after inclusion of new loans already signed/approved) in the next 5-6 years period.

Table 1: Risk Indicators

ⁱⁱFX Risk:

The share of foreign currency denominated loans is 96.3% of total Sindh debt portfolio, which could be termed 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. It includes debt on fixed rate maturing within current year plus 09 (Nine) LBL (Libor Based loans) category, re-fixed after every 06 months period.

^{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.

^vRe-financing Risk:

* ATR: Average Time to Refixing

**ATM: Average Time to Maturity

Debt maturing in 01 (one) year is average 5% of total debt portfolio only, 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, 2020 (Sindh Debt Portfolio)

The amount has increased by total PKR 84.68 billion in FY 2019-20. Total loan disbursements and principal payments recorded for the year were PKR 26.795 billion and PKR 20.287 billion and a currency depreciation impact of PKR 78.174 billion.

Graph: 1 Interest servicing year wise

Interest charges indicates an abrupt increase due to currency depreciation for more than 11.20% in the same period. In addition to this, there is also a key impact on account of domestic loan which is 2.6% of total debt portfolio and comprises 21.2% of interest charges share. Such a high interest charges share is due to very old domestic loans borrowed on higher rates before FY 2000-01 along with its shorter maturity. Other key reason is gradual increase in foreign loan variable rate category to 19% which is a non-concessional lending from lender agencies.

Graph: 2 Principal Profile year wise

Principle redemption profile shows increase of 35.36% in principal repayment of FY 2019-20 onwards mainly due to currency depreciation for more than 20.43% in the same period and 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.