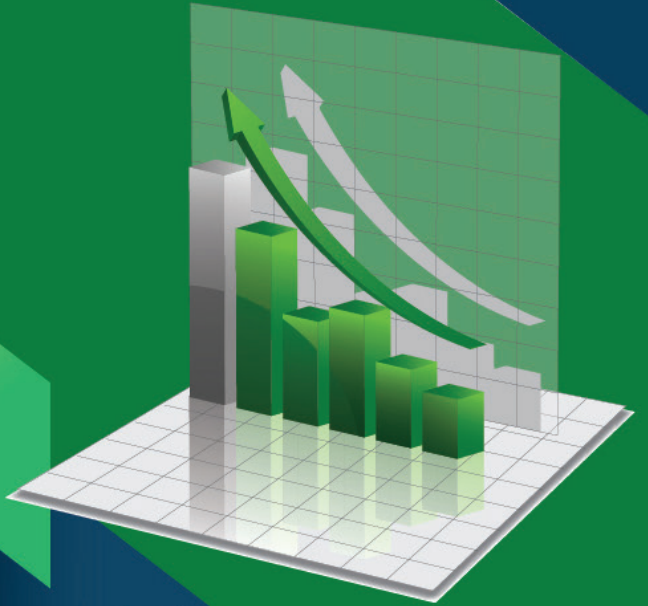


Debt Management Unit

Finance Department,
Government of Balochistan



BALUCHISTAN GOVERNMENT **DEBT REPORT** 2020

(A BULLETIN AND ANALYSIS OF PROVINCIAL DEBT)



BALUCHISTAN GOVERNMENT **DEBT REPORT** 2020

A BULLETIN AND ANALYSIS
OF PROVINCIAL DEBT

Debt Management Unit

Finance Department,
Government of Balochistan

Contents

Foreword.....	6
Debt Management Unit.....	8
Scope	9
Abbreviations	10
1. DEBT PORTFOLIO OF THE PROVINCE	11
Table 1.1 (Movement in Debt Portfolio during 2019-20).....	11
Table 1.2 (Combined Impact on Provincial Debt).....	12
Movement in Exchange Rates	13
Table 1.3 (Historical Trends in Base Currencies to Pak Rupees).....	13
Figure 1.1 (Historical Trend - Exchange Rate)	13
Special Drawing Rate (SDR) Parity.....	14
Figure 1.2 (US Dollar to SDR Parity)	14
2. FINANCIAL ANALYSIS OF DEBT PORTFOLIO.....	15
2.1. External Debts by Lenders.....	15
Table 2.1 (Agency wise Breakup of Loan Position as on June 30, 2020).....	15
Figure 2.1 (Lender wise Breakup of Debt Outstanding)	16
2.2. External Debt by Currency Composition	16
Table 2.2 (Currency wise Debt Position as on June 30, 2020)	16
Figure 2.2 (Currency Wise Share of Debt Outstanding)	17
2.3. External Debt by Interest Type	17
Table 2.3 (Distribution of Loan by Interest Rate)	17
Figure 2.3 (Monetary Distribution by Interest Type)	18
2.4. External Debt by Status of Projects	18
Table 2.4 (Status of Active Projects under Loan Financing).....	18
Figure 2.4 (Comparision of Active and Closed Loans).....	19

2.5.	Sector Wise Outstanding Debts.....	19
	Table 2.5 (Loan Distribution by Sectors & Departments).....	20
2.6.	Actual Disbursement of Active Loans	20
	Table 2.6 (Disbursements During 2019-20)	21
	Figure 2.6 (Periodic Disbursement During 2019-20).....	21
2.7.	Prospective / Potential Loans	22
	Table 2.7 (in Process Loan Financing)	22
3.	PRINCIPAL REPAYMENT OF LOAN & DEBT SERVICING (INTEREST PAYMENTS)	23
3.1.	Expected Redemption Profile	23
	Figure 3.1 (Redemption Profile of Existing Loans)	23
4.	DEBT SUSTAINABILITY	24
	Figure 4.1	24
4.1.	Risk Analysis of Debt Portfolio	24
	Table 4.1 (Risk Indicators)	24
4.1.1	Re-Financing/Roll-Over Risk.	25
4.1.2	Interest Rate Risk.....	25
4.1.3	Foreign Exchange Risk.....	25

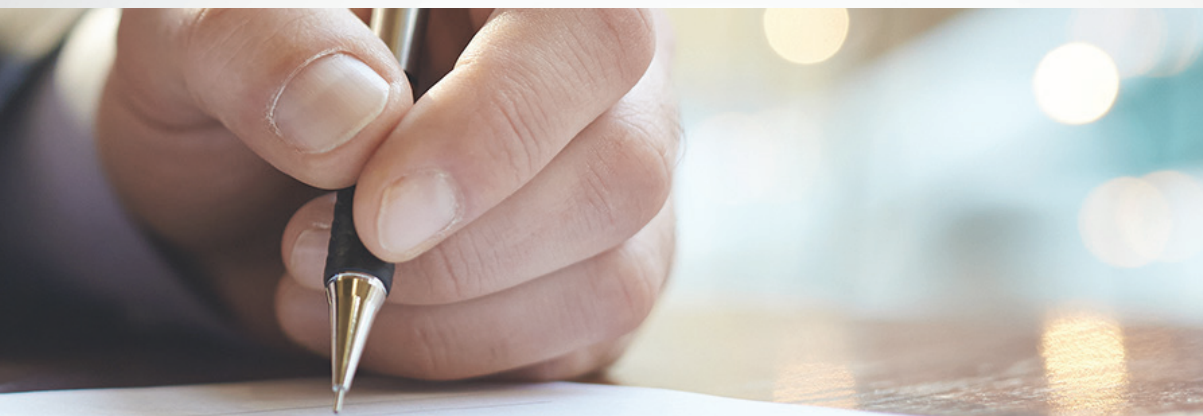


Foreword

The 18th Constitutional Amendment has redefined Pakistan's fiscal architecture through a paradigm shift from a heavily centralized to a predominantly decentralized federation and reinforced a multi-level governance system by extending greater autonomy to the provinces and powers to make allocations, employing funds in important development projects. Given their expanded responsibilities and deep decentralization trends, there is a strong case for enhancing the access of provincial governments to different sources of finance. In the last few years, there has been a natural increase in importance of sub-national borrowing for financing the growing demand for public infrastructure spending. The challenge, however, is to simultaneously achieve the goals of providing borrowing autonomy and at the same time to preserve fiscal discipline by preventing the insolvency of the sub-national government and assuring national fiscal sustainability. International practice favors incorporating clear fiscal rules to clarify the spending responsibilities of a sub-national government, and also examine

own-source revenues and debt in a way to optimize land and local resource use.

In the context of Balochistan, the current capital expenditure of Government of Balochistan consists mainly of repayment of different debts. With provincial debt, there was a clear need for an effective public debt management strategy to ensure adequate fiscal space for future development programs. This need can be met most efficiently via the establishment of a specialized Debt Management Unit (DMU), to not only manage the whole liability portfolio for the Government of Balochistan but address issues such as limited institutional capacity and incomplete debt management system that lacks tools for identifying, analyzing, preparing for and responding to risks arising from sub-national debts. Therefore, the Government of Balochistan has established a DMU within Finance Department to streamline and make management of public finances more effective, strengthen its public debt management capacity and ensure that sub-national debt is sustainable.



Moreover, to regulate loan and debt related matters, for the better debt management of the province and guiding the provincial DMU, a legal framework along with provincial debt policy and strategy and a debt manual are the least required documents. In this regard the Finance Department is also working on "Balochistan Fiscal Responsibility and Debt Limitation Bill 2020", Balochistan Debt Management Policy and Strategy and Balochistan Debt Manual. These documents will help the Finance Department in setting up systems and processes for the issuance of provincial government securities, obtaining loans in order to provide the financial markets with an independent assessment of the Government's creditworthiness, and effective and efficient management of loans raised.

The Debt Management Unit of the Finance Department has prepared a Debt report 2020 to inform the general public, development partners and other stakeholders of the Government debt management operations with respect to the

province's total debt portfolio and current debt stock; its debt service payments; composition and structure of debts; risks linked with foreign exchange borrowings. The department intends to issue this report on semi-annual basis both in printed form and will be made available on the web site of the Finance Department Government of Balochistan¹. The publication and dissemination of this report also demonstrates Government's commitment to transparency, accountability and access to information by the general public. It provides statistical data on Balochistan's public debt portfolio over the period to assess and analyze the provincial debt in a microscopic way.

The Finance Department is also developing a Balochistan Government Medium Terms Debt Management Strategy so that government's borrowing operations are carried out in a manner that is efficient, sustainable and may supervise the economic growth.

1 www.finance.gob.pk



Debt Management Unit

The Government of Balochistan has 70 outstanding loans with a total committed value of Rs.163.602 billion and outstanding balances of Rs.50.945 billion. Out of these 70 loans 5 loans are active that is under disbursement with total committed value of Rs 53.671 Billion while 65 are closed with committed vale of Rs.109.931 billion. The Government of Balochistan has obtained these loans from various international lending agencies to support the economic growth and provide for filling the social gap through introduction of development projects in the socio-economic sectors of the Province. Keeping in view the huge debt portfolio of the province, its management including raising of new funds, risk assessment and mitigation of risk and reducing cost of debt, the Finance Department Government of Balochistan established a debt management unit (DMU) in Finance Department with technical assistance from Governance and Policy Project (GPP) Balochistan funded by Multi Donor Trust Fund(MDTF)administered by the World Bank

The DMU functions are to undertake analytical review of the debt portfolio of the province that enable Government to meet its financing needs and its debt service obligations at the lowest possible cost with a prudent degree of risk exposure. It also monitors the front office's performance in terms of compliance with the chosen strategy and risk and cost limits.

Scope

To support the Finance Department in the management of provincial public debt (domestic & foreign debt) and ensure its sustainability in the medium to long run. The scope will include provincial debt management involving complex, diverse and specialized functions/responsibilities like strategizing options, evaluating borrowing alternatives, negotiations, signing of loan/grant agreements, on-lending, disbursement, monitoring, analysis, debt service payments, and managing currency, interest and maturity risks etc. The activities are distinguished by the initial process (loan negotiations and contracting), analytical examination (risk management and advisory services) and the follow up phase (accounting, debt-servicing, databank, etc.).

The requisite organizational structure is the

- Front Office,
- Middle Office, and
- Back Office

The front office will make a major contribution to strategy development, involvement of a middle office in the process would help to ensure that analysis is conducted within a medium term framework and reflects the government's risk preferences, rather than overly influenced by market requirements. Back office will largely be responsible for database maintenance, debt recording, reporting, servicing and settlement.

Abbreviations

ADB	Asian Development Bank
ATM	Average Time to Maturity
ATR	Average Time to Re-fixing
BC	Base Currency
BIWRM&DP	Balochistan Integrated Water Resources Management & Development Project
CIDA	Canadian International Development Agency
DMU	Debt Management Unit
DOD	Disbursed Outstanding Debt
EAD	Economic Affairs Division
FPA	Foreign Project Assistance
GDP	Gross Domestic Product
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
WRMP	Water Resource Management Project

1. DEBT PORTFOLIO OF THE PROVINCE

The 18th Amendment has given more fiscal space and options to provinces for acceleration of development agenda. Under Article 167(4) of the Constitution of Pakistan “a Province may raise domestic or international loan, or give guarantees on the security of the Provincial Consolidated Fund within such limits and subject to such conditions as may be specified by the National Economic Council (NEC).”

The NEC has allowed provinces to directly raise domestic debts up to 0.85% of the National GDP after excluding domestic loans owed to Federal Government. This overall limit has been shared among the provinces according to their horizontal share determined under the 7th National Finance Commission (NFC) award. This newly granted domestic borrowing powers have given more options and flexibility to the provinces to accelerate its development agenda.

The debt portfolio of the province comprises of long term concessional external (foreign) debts only. External Debts, in the debt portfolio of the province, are availed through Economic Affairs Division (EAD) by Government of Balochistan (GoB) transferred with same terms and conditions by relending (on-lent loans²) mechanism to the province. These loans have been obtained from multilateral and bilateral institutions or countries on concessional terms. The outstanding balance of disbursed debt as on June 30, 2020 stood at **Rs. 50.945 billion (June 30, 2019: Rs. 47.932 billion)**. The change in debt portfolio is shown in Table 1.1 below;

Table 1.1 (Movement in Debt Portfolio during 2019-20)

Base Currency	PKR Million			Change %
	DOD as on 30 June 2020	DOD as on 30 June 2019	Growth (Reduction)	
\$ (US Dollar)	41,263.427	38,493.393	2,770.034	7.20%
¥ (Japanese Yen)	8,765.111	8,607.997	157.114	1.83%
DM (Deutsche Mark)	899.924	813.367	86.557	10.64%
C\$ (Canadian Dollar)	16.495	16.849	(0.353)	(2.10%)
PKR	50,944.957	47,931.606	3,013.351	6.29%

The percentage change in external debt portfolio from 2018-19 to 2019-20 is explained in a movement schedule presented in the Table 1.2 below. The change is attributed to the effect of exchange rates and repayment of principal amount and disbursements during the year.

Balochistan's Debt portfolio is increased by 6.29% despite higher amount of re-payments in base currency as against disbursements during the year 2019-20, as shown in Table 1.2 below;

Table 1.2 (Combined Impact on Provincial Debt)

Description	Amount in Million			
	\$	¥	DM	C\$
Repayment and disbursement effect				
Opening Balances as on 01-07-2019	279.952	6,976.817	10.388	0.165
Repayment from July-June 2020	(35.860)	(1,333.194)	(0.742)	(0.028)
Disbursement from July-June 2020	20.417	-	-	-
Closing Balance as on 30-06-2020	259.293	5,643.623	9.646	0.138
Repayment and disbursement % age change	(5.52%)	(19.11%)	(7.14%)	(16.67%)
Exchange Rate Effect				
Exchange Rate *PKR to BC 2018-2019	137.5	1.2338	78.2987	102.1147
Exchange Rate PKR to BC 2019-2020	156	1.5531	93.295	119.9669
Exchange Rate % age change	13.45%	25.88%	19.15%	17.48%
Portfolio effect (Combined)				
Outstanding Balance in PKR (Million) 30-06-2019	38,493.393	8,607.997	813.367	16.849
Outstanding Balance in PKR (Million) 30-06-2020	41,263.427	8,765.111	899.924	16.495
Combined % age change	7.20%	1.83%	10.64%	(2.10%)

In the Table 1.2, it is shown that repayment of USD 35.86 million and disbursements of USD 20.42 million were made during 2019-20, however, due to 13.45% depreciation in Pak

Rupees as against USD, the closing balance in PKR terms increased by 7.20%. Similarly, for other currencies as shown in Table 1.2, due to currency depreciation, despite decrease in outstanding balances in terms of base currencies, the closing balances in PKR terms increased or shown a fractional decrease as compared to the amount of repayments.

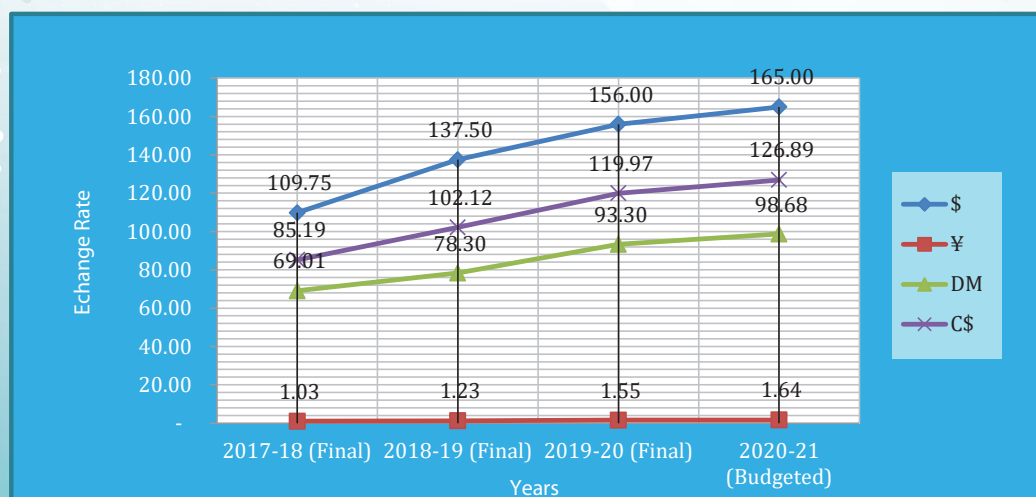
Movement in Exchange Rates

The exchange rates parity of Pakistan Rupees to borrowing currencies are communicated to the province by EAD according to which the loan portfolio is adjusted subsequently. The budgeted rates for Fiscal Year 2020-21 and historical rates for the previous three years communicated by the EAD with graphical presentation are given as under in Table 1.3 and Figer 1.1.

Table 1.3 (Historical Trends in Base Currencies to Pak Rupees)

Borrowing Currencies	\$	¥	DM	C\$
2020-21 (Budgeted)	165.00	1.64	98.68	126.89
2019-20 (Final)	156.00	1.55	93.30	119.97
2018-19 (Final)	137.50	1.23	78.30	102.12
2017-18 (Final)	109.75	1.03	69.01	85.19

Figure 1.1 (Historical Trend - Exchange Rate)

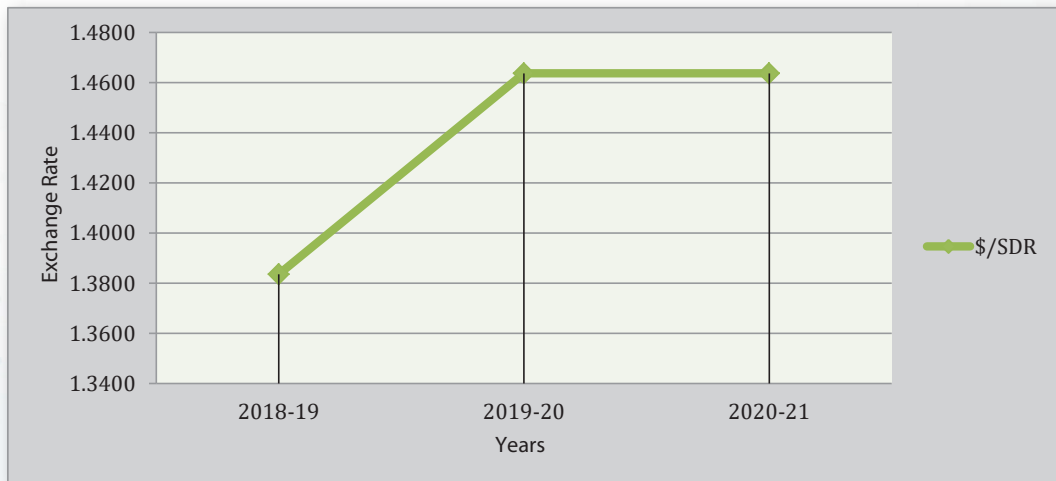


It is evident from the above graph in Figure 1.1 that there is consistent and continuous depreciation of Pakistan Rupees against borrowing currencies and this trend is predicated in near future budgeted exchange rates as well. This upward exchange rate fluctuation will affect debt portfolio of the province.

Special Drawing Rate (SDR) Parity.

The majority debts (IDA and IBRD) of the Government of Balochistan have been contracted in SDRs (Special Drawing Rights) due to the fact that service charges/interest cost rate is comparatively lower in SDR's loan as against other currency. However, on other hand it has also been mentioned in the financing agreements that repayment shall be made in US \$. Thus there is clear linkage between SDR and US\$ rate parity. At the time of repayment the US\$ is converted in SDR which is adjusted in outstanding amount of SDR.

Figure 1.2 (US Dollar to SDR Parity)



2. FINANCIAL ANALYSIS OF DEBT PORTFOLIO

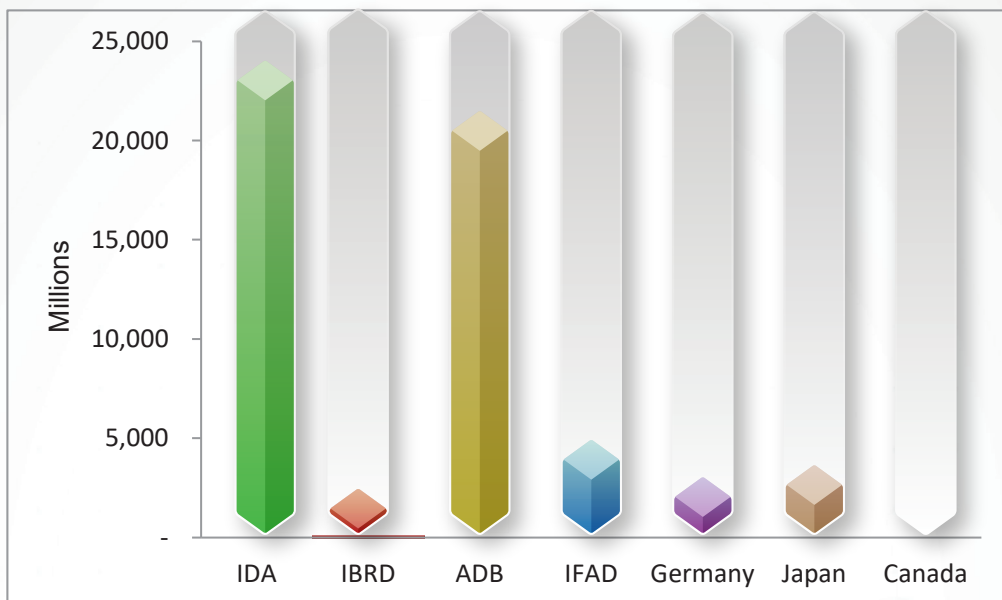
Portfolio analysis is the critical analysis of the status of the loan portfolio. This includes financial analysis as well as sector analysis focusing on source and use of funds.

2.1. External Debts by Lenders.

The Government of Balochistan has raised external loans via the EAD through sovereign agreement or tripartite agreements from IDA (International Development Association), IBRD (International Bank for Reconstruction and Development), ADB (Asian Development Bank), IFAD (International Fund for Agriculture Development), Germany, Japan and Canada (CIDA). The agency wise break up of outstanding loan balances as on 30th June 2020 in base currencies and PKR terms are shown in Table 2.1 below;

Table 2.1 (Agency wise Breakup of Loan Position as on June 30, 2020)

Agency	Number of Loans	DOD* 30 th June 2020 (Base Currency In Millions)	Conversion Rate (2019-20)	DOD 30 th June 2020 (PKR Millions)
IDA	33	\$148.711	156.00	23,198.928
IBRD	1	\$0.558	156.00	87.048
ADB	30	\$89.416	156.00	13,948.926
ADB	1	¥ 4,306.119	1.55	6,687.833
IFAD	2	\$25.824	156.00	4,028.525
Germany	1	DM 9.646	93.30	899.924
Japan	1	¥ 1,337.504	1.55	2,077.277
CIDA	1	C\$ 0.137	119.97	16.495
Total	70			50,944.957
*DOD: Disbursed Outstanding Debt				

Figure 2.1 (Lender wise Breakup of Debt Outstanding)

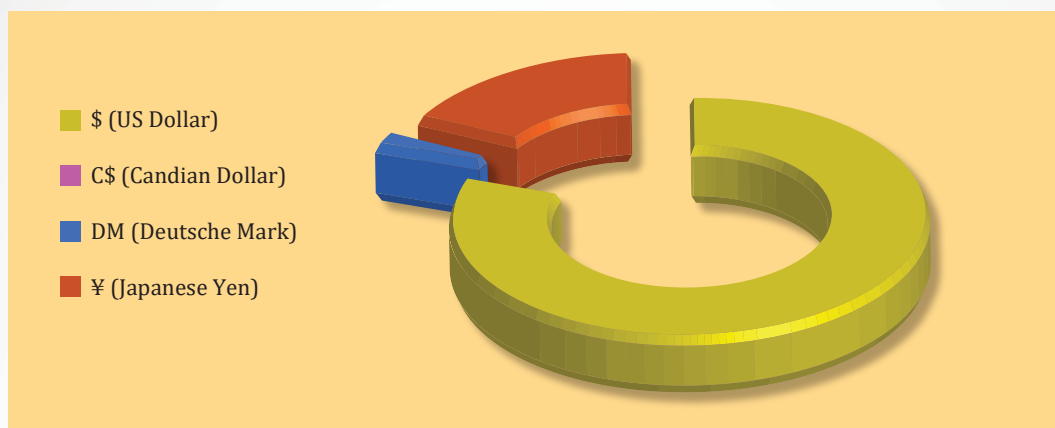
2.2. External Debt by Currency Composition

US Dollar loans accounted for 81% of the loan portfolio while Japanese Yen and Deutsche Mark loans accounted for 17% and 2% respectively. It is pertinent to highlight that the decisions regarding currency of loans are ultimately made by the EAD. The currency wise debt portfolio composition of the province as on 30th June 2020 is shown in Table 2.2 below.

Table 2.2 (Currency wise Debt Position as on June 30, 2020)

Base Currency	Count	DOD as on 30 th June (Base Currency Million)	Exchange Rate	DOD as on 30 th June (PKR Million)
\$ (US Dollar)	66	264.509	156.0000	41,263.427
C\$ (Canadian Dollar)	1	0.138	119.9669	16.495
DM(Deutsche Mark)	1	9.646	93.2950	899.924
¥ (Japanese Yen)	2	5,643.623	1.5531	8,765.111
PKR	70			50,944.957

Figure 2.2 (Currency Wise Share of Debt Outstanding)



2.3. External Debt by Interest Type

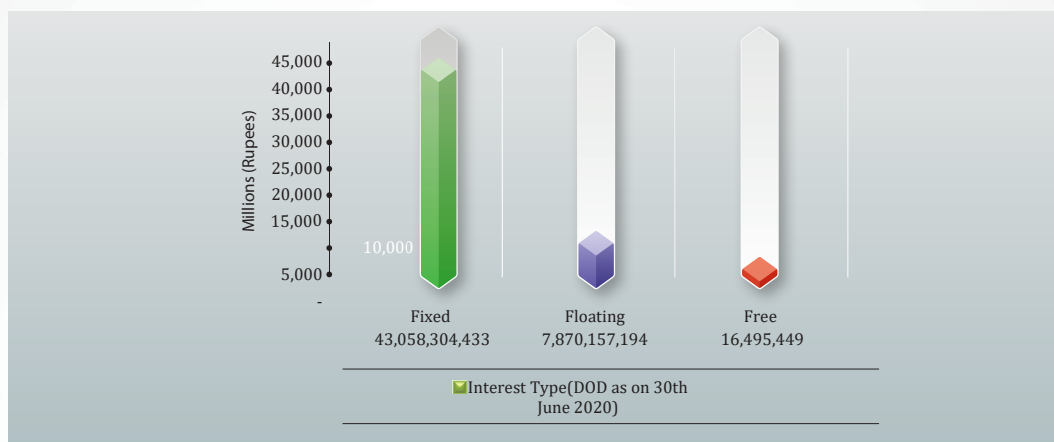
The loan profile of the province comprises of floating, fixed and free interest rate loans. However, fixed interest rate loans dominate the loan portfolio. The floating interest rate loans have been obtained from ADB only that includes Two (2) loans (15.45%). One (1) loan is of free interest rate (0.03%) and sixty-seven (67) loans are of fixed interest rate (84.52%).

Table 2.3 (Distribution of Loan by Interest Rate)

Lenders	Loan by interest type	Interest/Service charges Rate	No of Loans
IDA & IBRD	Fixed	0.75%-2%	34
ADB	Fixed	1%-2%	29
ADB	Floating	LIBOR+0.6%	02
IFAD	Fixed	0.75%	02
Germany	Fixed	0.75%	01
Japan	Fixed	2.30%	01
CIDA	Interest Free	0%	01
Total			70

The breakup of fixed, Floating and interest free loan in monetary terms is given as under;

Figure 2.3 (Monetary Distribution by Interest Type)



2.4. External Debt by Status of Projects

Out of 70 different types of loans, five (5) loans are active, that is, disbursements are currently being received against these loans while the rest are closed. The active loans are provided by IFAD, IDA and ADB, against the following projects.

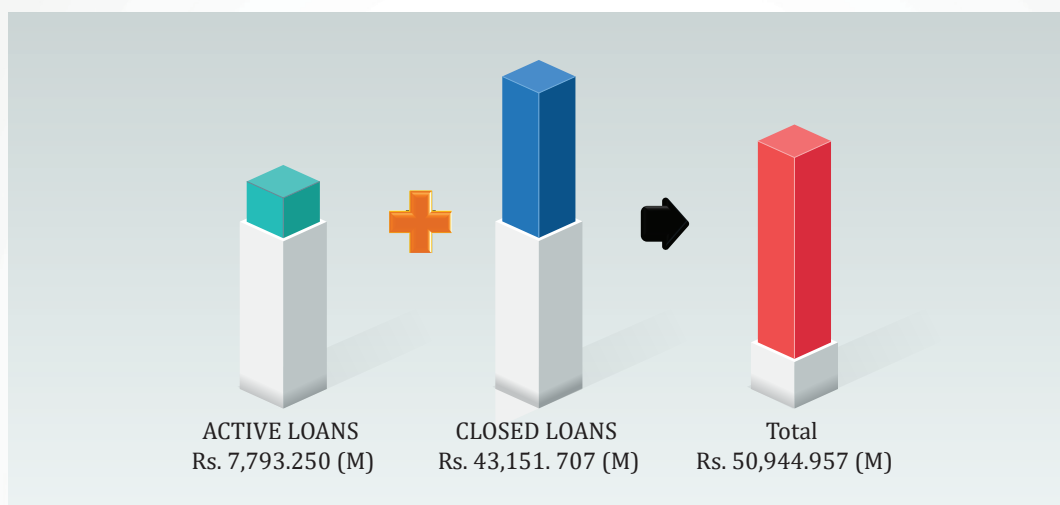
Table 2.4 (Status of Active Projects under Loan Financing)

S. #	Name of Project	Lending Agency	Committed Amount (Millions)
1	National Immunization Support Project	IDA	SDR 2.172
2	Balochistan Integrated Water Resources Management and Development Project	IDA	SDR 142.600*
3	Balochistan Water Resources Development Sector Project	ADB	\$100.000
4	Pandemic Responses Effectiveness	IDA	\$ 5.000
5	Gwadar Lasbela Livelihood Support Project	IFAD	SDR18.550

*The committed value in SDR for this project was revised from SDR 142.600 million to SDR 77.557 million after cancellation of SDR 65.043 million.

The share of active loans is 15.30%, while that of closed loans is 84.70% of the loan profile of the province.

Figure 2.4 (Comparison of Active and Closed Loans)



2.5. Sector Wise Outstanding Debts

The loans obtained by Government of Balochistan have been utilized for various projects including those on the Provincial Public Sector Development Program (PSDP), are reflected as Foreign Project Assistance (FPA). Sector wise outstanding balances as on 30th June ,2020 are as follows;

Table 2.5 (Loan Distribution by Sectors & Departments)

S. No.	Sector	No. of Loans	Committed Values (PKR Million)	Balances (PKR Million)	% of Committed Value	% of Outstanding Amount
1	Agricultural	6	8,665.704	5,615.055	5.30%	11.02%
2	Communication & Works	6	16,987.553	9,369.019	10.38%	18.39%
3	COVID-19	1	780.000	739.050	0.48%	1.45%
4	Education	12	27,250.693	12,319.719	16.66%	24.18%
5	Energy	1	215.991	84.238	0.13%	0.17%
6	Finance Department	1	3,664.281	2,175.666	2.24%	4.27%
7	Fisheries	1	3,884.400	388.440	2.37%	0.76%
8	Governance, Research & Statistics (General Public Services)	2	115.783	77.756	0.07%	0.15%
9	Health	7	4,280.508	1,493.873	2.62%	2.93%
10	Industries	2	74.880	30.935	0.05%	0.06%
11	Irrigation	9	8,356.695	2,940.824	5.11%	5.77%
12	Livestock	1	398.656	89.697	0.24%	0.18%
13	Others	5	7,110.498	2,583.929	4.35%	5.07%
14	Rural Development	1	4,235.473	3,746.112	2.59%	7.35%
15	Social Welfare	5	22,298.862	5,285.499	13.63%	10.37%
16	Water (Public Health Engineering)	10	55,281.908	4,005.145	33.79%	7.86%
Grand Total		70	163,601.884	50,944.957	100%	100%

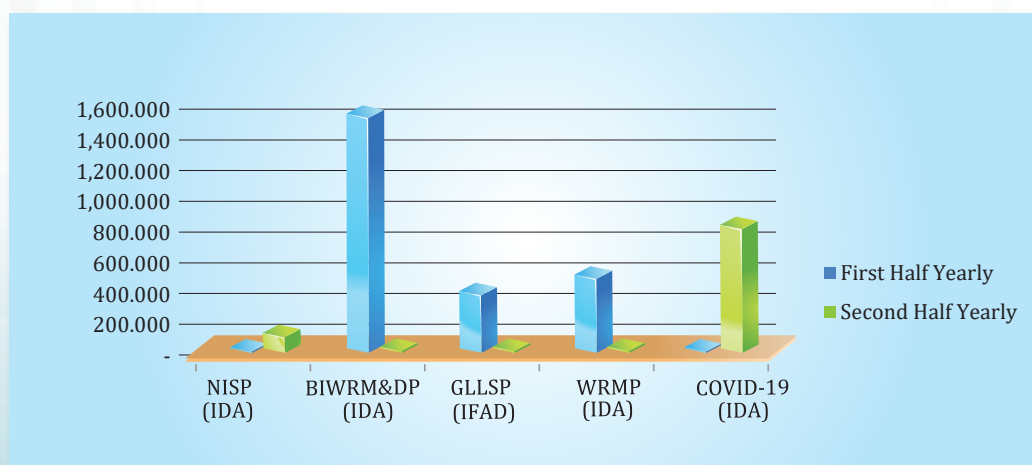
2.6. Actual Disbursement of Active Loans

During the year ended 30th June 2020 Rs. 3,251 million equivalent to US\$ 20.417 million were disbursed on account of active loans from IDA, IFAD and ADB. The project wise half-yearly disbursements from active loans during the year ended 30th June 2020 are shown below:

Table 2.6 (Disbursements During 2019-20)

Loan / Project Name	1st Half Yearly	2nd Half Yearly	Total
	-----PKR in Million-----		
National Immunization Support Project – NISP (IDA)	-	79.719	79.719
Balochistan Integrated Water Resources Management & Development Project – BIWRM&DP (IDA)	1,532.086	-	1,532.086
Gwadar Lasbela Livelihood Support Project – GLLSP (IFAD)	364.777	-	364.777
Water Resource Management Project – WRMP (IDA)	482.825	-	482.8252
Pandemic Response Effectiveness – Covid-19 (IDA)	-	791.716	791.716
Total	2,379.688	871.435	3,251.123

Figure 2.6 (Periodic Disbursement During 2019-20)



2.7. Prospective / Potential Loans

The Government of Balochistan is committed in completion of its development agenda and for this purpose the Government has negotiated the following prospective loans with multilateral institutions. The expecting amount of commitment to be received is shown in table 2.7 below;

Table 2.7 (in Process Loan Financing)

S. No.	Project Name	Lenders	Commitment \$ (Million)	Status
1	Balochistan Human Capital Investment project	World Bank-IDA	21.000	The Project is approved by Bank on 23th June 2020 and Disbursement will start in 2020-21
2	Balochistan Livelihoods and Entrepreneurship Project	World Bank-IDA	35.000	The Project is approved by Bank on 3th March 2020 and Disbursement will start in 2020-21
3	Gwadar Lasbela Livelihood Support Project	IFAD	60.000	In pipeline

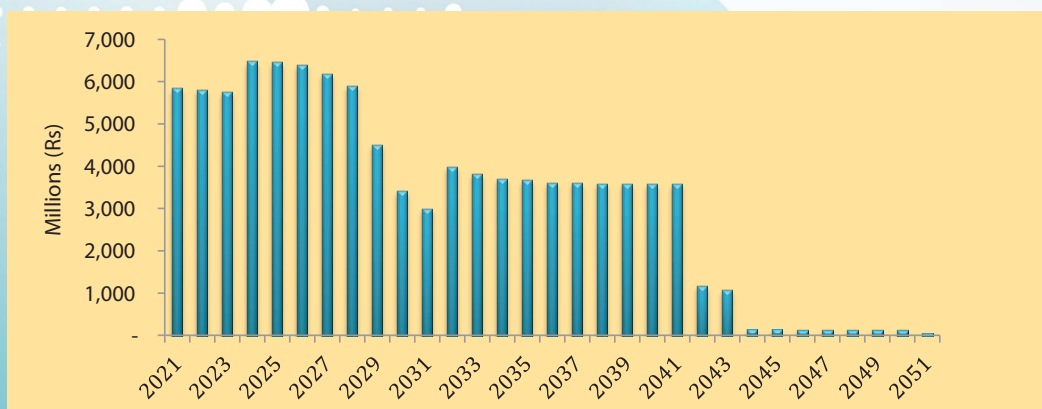
3. PRINCIPAL REPAYMENT OF LOAN & DEBT SERVICING (INTEREST PAYMENTS)

Repayment amount consists of repayment of principal and interest cost on outstanding balances according to the rates and repayment schedule agreed upon in the loan agreement. The amortization schedule is revised at the close of project according to the amount actually disbursed and adjusted each year according to the currency fluctuations. For the year ended 30th June 2020 an amount of Rs. 7,737 million was paid as principal amount against the budgeted amount of Rs. 7,240 million, while the interest cost amounted to Rs. 555.3 million against budget estimates of Rs. 533.0 million. The differential amount between budgeted and actual payments is the exchange loss borne by the Province due to depreciation of Pak Rupees against base currencies. The interest cost and principal repayments are based on the revised exchange rates of 2019-20 communicated to the province by EAD during the month of April 2020.

3.1. Expected Redemption Profile

The redemption profile based on the existing outstanding loan and the expected disbursements over the agreed loan period of the principal outstanding amount based on the budgeted exchange rate of 2020-21 is shown below. This redemption profile is based on existing stock, however, it may change with the addition of new loans and Fluctutaion in exchange rates.

Figure 3.1 (Redemption Profile of Existing Loans)



4. DEBT SUSTAINABILITY

Debt sustainability analysis is important to provide a medium to long-term perspective of debt burden. Maintaining Debt at a sustainable level means that the volume of debt service doesn't affect routine and development expenditure and that the ratio of Debt to provincial revenue is kept low and does not rise over time. Debt sustainability can be assessed through various indicators, measure the indebtedness level of a Province. Commonly known are solvency/vulnerability (debt bearing capacity) and liquidity/fiscal indicators (debt servicing capacity).

Solvency/Vulnerability Indicators	Liquidity /Fiscal Indicators
Outstanding Debt to Federal Transfer	Interest Payment to Revenue Expenditure
18%	0.21%
Outstanding Debt to Provincial Revenue	Principal Repayment to Revenue Expenditure
108%	1.98%
	Interest Payment to Revenue Receipt
	0.15%
	Principal Repayment to Revenue Receipts
	1.67%

4.1. Risk Analysis of Debt Portfolio

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.

Table 4.1 (Risk Indicators)

Indicators		30 th June 2020
Refinancing Risk	Debt Maturing in 1 year (% of total)	1.26%
	Average Time to Maturity ³ (ATM) Years	10.13 Years
Interest Rate Risk	Fixed rate debt (% of total)	91.64%
	Debt Re-fixing in 1 Year (% of total)	8.36%
	Average Time to Re-fixing ⁴ (ATR) Years	9.83 Years
Foreign Exchange Risk	Foreign currency debt as % of total debt	100%

4.1.1 Re-Financing/Roll-Over Risk.

Refinancing/Rollover Risks refer to the risk 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. The 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. The ATM of Balochistan loan portfolio is in good shape of 10.18 years. This is due to concessional loan portfolio with low interest rate and high maturity period. The above mentioned data shows that the loan portfolio exposure to refinancing risk of Balochistan is on the lowside.

4.1.2 Interest Rate Risk

The Interest Rate Risk refers to exposure of debt portfolio to changes in interest rate. Fixed Rate Debt 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. The ATR of Balochistan loan portfolio is 9.83 years which is quite high and on safe side. The portfolio exposure to interest rate risk is low.

4.1.3 Foreign Exchange Risk

Since the total loan portfolio of the province consists of foreign loans, that is why, foreign exchange risk for Balochistan is at the higher side, particularly after the abrupt depreciation of Pak Rupees against foreign currencies, during the previous period, had a huge impact on the outstanding loan balances and interest payments. During the year ended June 30, 2020 the foreign exchange loss on outstanding balances amounted to Rs. 7.565 billion almost eroding the principal amount of Rs 7.737 billion repaid during the year.

3 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.

4 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 exposure.

