



BALUCHISTAN'S DEBT REPORT 2021-22



Government of Balochistan, Finance Department

PREFACE

I am pleased to present the 4th Balochistan's Debt Report showing the debt position of the province as on 30th June 2022. The main objective of publishing Annual Debt Report is to provide stakeholders with timely and comprehensive public debt information and data regarding both external and domestic debt position of the province, detailing the stock of public debt and its main features. The provision and publication of public debt information on a regular basis is part of our public debt management reforms aimed at ensuring debt accountability and transparency.

The Debt Report provides information on public debt as at 30th June 2022 as follows:

- Total public debt and its domestic and foreign components;
- Evaluation of debt by lenders, by currency and by interest types etc.;
- Debt Servicing (Payment of Interest);
- Debt sustainability; and
- Risk associated with debt.

This report will enable more informed and effective policy formulation and decision making by the Government and stakeholders. It will serve as Government's instrument for promoting financial accountability and transparency in the public sector to create more public debt awareness among stakeholders, both in Balochistan and beyond its borders.

The Government of Balochistan, Finance Department, to broaden the scope, coverage and transparency of public debt, has established a Debt Management Unit in order to improve public debt reporting, and monitoring and management of debt, including risk management.

A better debt management and resource planning has become inevitable during the previous few years particularly in the back drop of the 18th Constitutional amendments enabling the provinces to directly enter into bilateral foreign financing. Moreover, its importance has also increased due to deficit budgeting by the province to cope with the challenges of capital budget that is for development of the province. this report can also be accessed on www.finance.gob.pk

(Kambar Dashti)
SECRETARY FINANCE

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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
CDL	Cash Development Loan
DMU	Debt Management Unit
DOD	Disbursed Outstanding Debt
EAD	Economic Affairs Division
FPA	Foreign Project Assistance
GDP	Gross Domestic Product
FG	Federal Government
FY	Financial Year
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
WAPDA	Water and Power Development Authority
WRMP	Water Resource Management Project

1. INTRODUCTION

1.1 The total debt portfolio of the Government of Balochistan as on 30th June 2022 stands at Rs.53,680.235 million consisting of foreign and domestic loans. Foreign loans have been provided by 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 while the domestic loan is a composite Cash Development Loan (CDL) arrangement with the Federal Government for the development of Right Bank Outfall Drainage (RBOD-III) in Naseerabad Division. Under this arrangement Federal Government has provided composite loan of Rs. 1,990.556 to WAPDA for development of ROBD-III and that was transferred to Government of Balochistan for repayments.

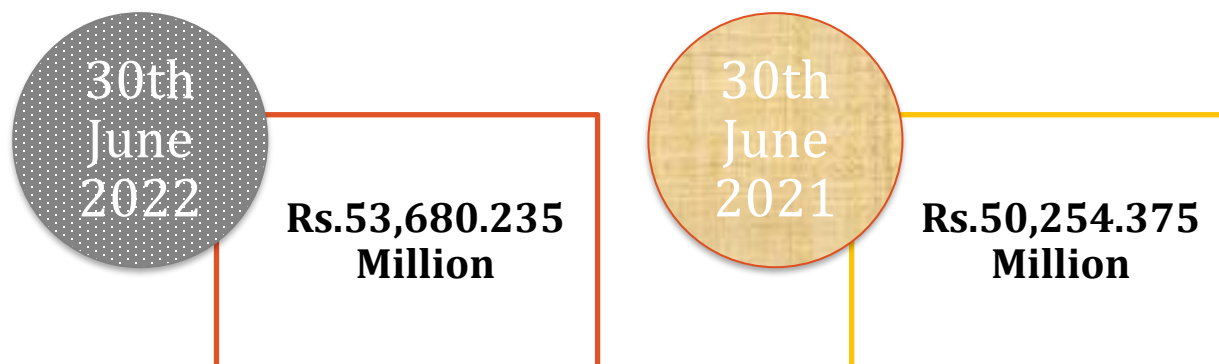
1.2 The debt report has been prepared after reconciliation of debt data with the Economic Affairs Division, Islamabad. Furthermore, exchange rates used for conversion of foreign loans to Pakistan Rupees were also communicated by the EAD. The debt portfolio of the province has increased by 6.82% as compared to preceding fiscal year. This increase is mainly attributable to fluctuations in foreign currencies against Pak rupees. However, the risk analysis of the debt portfolio shows that the debt position of the province is at manageable level.

1.3 The following sections talk about the current debt balances, movement in debt portfolio during the financial year (FY)2021-22, effects of exchange rate & disbursements (receipts) and repayments during the fiscal year on the portfolio, risk analysis and a presentation of debts by lenders, sectors and currencies. Wherever debt outstanding is mentioned in this report, it refers to the disbursed outstanding debt of the Government of Balochistan.

2. REVIEW OF DEBT PORTFOLIO OF THE PROVINCE

2.1 The Government of Balochistan's (GoB) debt portfolio consists of long term concessional foreign and domestic loans. It had availed foreign loans from different multilateral/bilateral Institution on concessional terms based on the development needs of the province through the Economic Affairs Division (EAD) and were forwarded to Balochistan by relending (on-lent loans¹) mechanism.

2.2 Apart from foreign loans, GoB also received a domestic loan (Cash Development Loan) from Federal Government. The outstanding balances of disbursed debt as on June 30, 2022 and June 30, 2021 are depicted as under;



2.3 Yearly comparative analysis of the debt portfolio shows an increase of Rs 3,425.860 million as compare to preceding fiscal year. This growth is further elaborated through a movement schedule at **Table 2.1** below shown in Pakistan Rupees against the base currencies to analyze the impact of reduction/growth of each currency on the debt portfolio.

(Table 2.1: Movement on Debt Portfolio during 2021-22)

Base Currency	US Dollar	Japanese Yen	Deutsche Mark	Canadian Dollar	Pak Rupees	Total
Conversion Currency	<-----Pak Rupees (Million)----->					
30 th June 2022	44,755.149	6,179.409	760.813	11.079	1,973.785	53,680.235
30 th June 2021	39,847.969	7,523.939	882.298	14.598	1,985.571	50,154.375
Growth/Reduction	4,907.181	(1,344.530)	(121.486)	(3.519)	(11.786)	3,425.860
% Change	12.31	(17.87)	(13.77)	(24.11)	(0.59)	6.82

¹ Foreign loans borrowed by EAD on behalf of provinces and then relent to the Provincial Governments on similar conditions

2.4 Table 2.1 clearly depicts that overall loan portfolio of the province has increased by 6.82% during the year which is affected by fluctuations in US Dollar currency-based loans. The growth was so massive in financial terms that even washed away the impact of reduction in debt portfolio on account of other currencies-based loans. This change in debt volume is attributable to the effects of the following factors;

- a) Foreign exchange rate fluctuation effect; and
- b) Net of Disbursement and Repayment effect during the year.

a) Foreign Exchange Rates Fluctuation Effect;

2.5 During the year Pak Rupees has weakened over US \$ and Canadian Dollar resulting in increase in debt portfolio of the province in rupee terms despite the repayments of a huge amount of principal outstanding. Exchange rates parity of Pakistan Rupees to borrowing currencies are communicated to the province by EAD and the loan portfolio is adjusted accordingly. Moreover, the majority debts (IDA and IBRD) of the Government of Balochistan have been contracted in SDRs (Special Drawing Rights²) due to favorable terms and conditions in the form of service rate/interest rate, Commitment charges and maturity profile (ranging from 20 years to 40 years with grace period of 5 years to 10 years). However, on other hand it has been mentioned in the financing agreements that repayment shall be made in US \$ due to which at the time of repayments the SDRs have to be converted into first US \$ and the balances adjusted accordingly. The effect of change in exchange rate is shown below at **Table 2.2:**

(Table 2.2: Exchange Rate Effect)

Description	Exchange Rate PKR to Base Currencies (per PKR)		Exchange Rate Effect %
	2021-22	2020-21	
US Dollar (\$)	175.000	161.000	8.696
Japanese Yen (¥)	1.360	1.472	(7.609)
Deutsche Mark (DM)	93.214	99.090	(5.930)
Canadian Dollar (C\$)	134.295	132.712	1.192

2.6 As major portion of debt portfolio of the province is denominated in US \$, therefore even a mild change in exchange rate will affect the debt portfolio of the province. The above Table 2.2 shows that PKR has depreciated against US \$ and Canadian \$ while strengthened against Japanese Yen (¥) and Deutsche Mark resulting in overall Foreign

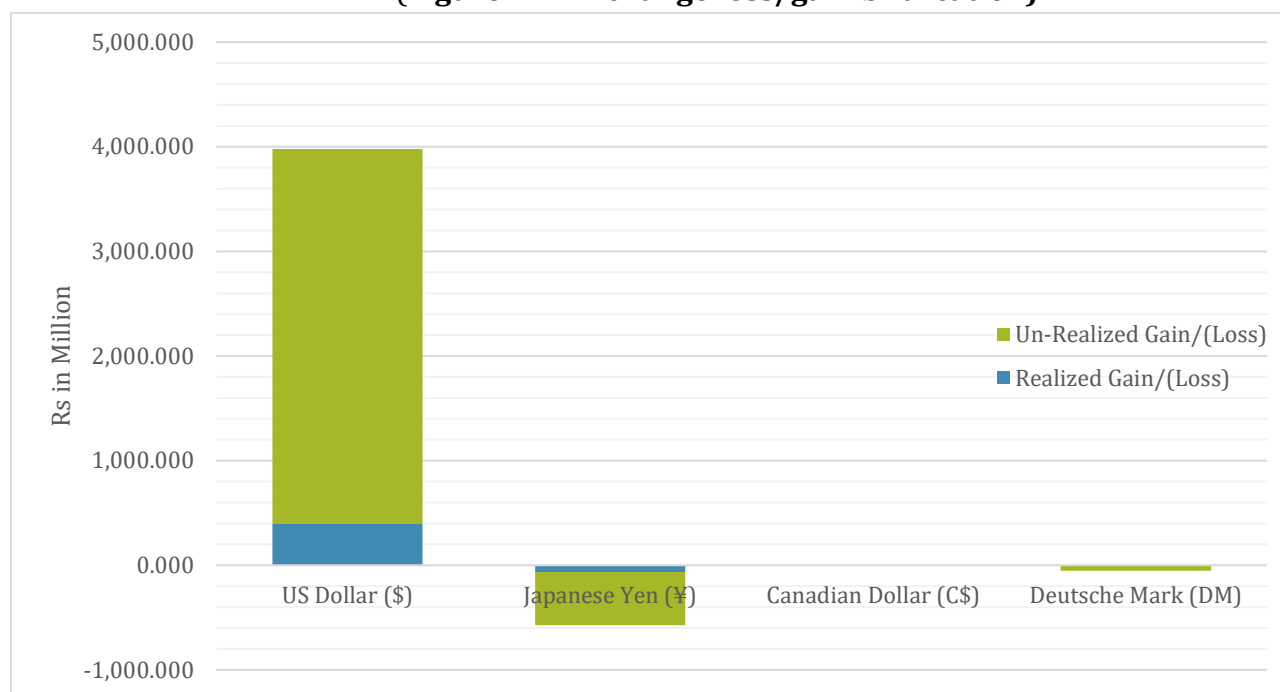
² Special drawing rights (SDR) refer to an international type of monetary reserve currency created by the International Monetary Fund (IMF) in 1969 that operates as a supplement to the existing money reserves of member countries.

Exchange loss. Table 2.3 and Figure 2.1 show currency wise realized and unrealized gains and losses, as follows.

(Table 2.3: Realized and Un-realized loss/gain)

Base Currency	Amounts in Million (Rupees)	
	Realized Loss/(Gain) ³	Un-Realized Loss/(Gain) ⁴
US Dollar (\$)	398.968	3,580.412
Japanese Yen (¥)	(63.599)	(509.347)
Canadian Dollar (C\$)	0.044	0.131
Deutsche Mark (DM)	(4.360)	(47.961)
Total	331.053	2,508.895

(Figure 2.1: Exchange loss/gain bifurcation)



The Figure 2.1 clearly depicts that exchange rate movement in US \$ was so much in magnitude that it even washed way the impact of exchange gain on the debt portfolio.

2.7 The historical trends of depreciation in Pakistan Rupees against the borrowing currencies shows a consistent and continuous depreciation of Pakistan Rupees resulting in accumulation of debt portfolio in monetary terms. However, the Japanese Yen has become weaker against Pak Rupee in the current fiscal year. The budgeted Exchange Rates

³ Realized Loss/Gain are those that are eliminated from loan portfolio due to repayment made during the year.

⁴ Un-Realized Loss/Gain are those that are accumulated in loan portfolio due to disbursement and principal outstanding.

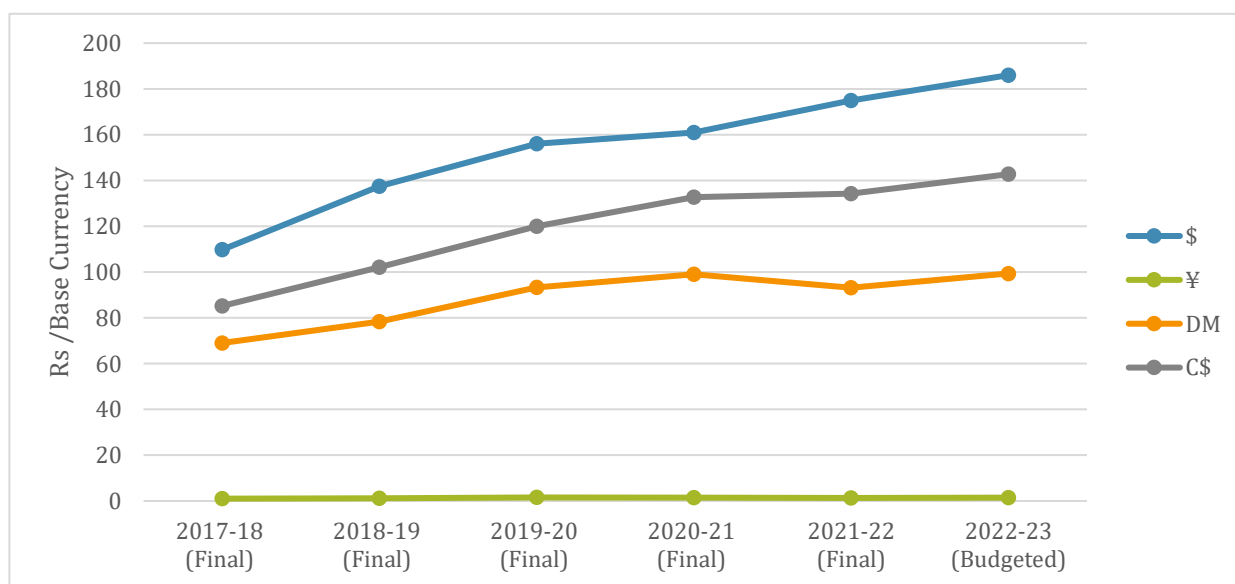
communicated by EAD show that the Pakistan Rupees is likely to be weakened against all the borrowing currencies in coming fiscal year. There is quite uncertainty to predict the volatility of Pak Rupees as it highly depends on factors such as foreign currency inflows in the country, reduction in trade deficit. The budgeted rates for Fiscal Year 2022-23 and historical rates for the previous 5 years communicated by the Economic Affair Division with graphical presentation are given below in **Table 2.4** and **Figure 2.2**.

(Table 2.4: Historical Trends in Base Currencies to Pak Rupees)

Borrowing Currencies	\$	¥	DM	C\$
2022-23 (Budgeted)	186	1.45	99.38	142.74
2021-22 (Final)	175	1.36	93.21	134.29
2020-21 (Final)	161	1.472	99.09	132.71
2019-20 (Final)	156	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

According to exchange rates received from the EAD, PKR will be depreciated against all base currencies in FY 2022-23 which will result in FX loss on the debt portfolio in the ongoing financial year.

(Figure 2.2: Historical trends -Foreign Exchange Rates)



b) Net of Disbursement and Repayment Effect;

2.8 Another attribute to upward movement on debt portfolio is that of disbursement including capitalization of interest and repayment effect. During the fiscal year the

Government paid installments related to various closed loan as per the financing agreement and the agreed amortization schedule while received amounts against ongoing loan. The effect of disbursement and repayments is shown in **Table 2.5** below;

(Table 2.5: Disbursement and Repayment Effect)

Description	Amount In Million (Base Currencies)			
	\$	¥	DM	C\$
Opening Balances as on 01st July 2021	247.503	5,111.024	8.904	0.110
Disbursements from July 2021-June 2022	36.739	-	-	-
Repayments from July 2021-June 2022	28.498	567.341	0.742	0.028
Closing Balances as on 30th June 2022	255.744	4,543.683	8.162	0.083
Disbursement and Repayment % age Change	3.33%	(11.10) %	(8.33) %	(25.00) %

2.9 The disbursement includes Capitalization of interest amounting of US \$ 0.328 million on account Balochistan Water Resources Development Sector Project and direct payment made by lenders of US \$ 3.426 million to vendors on direction of respective PMU. It is imperative to mention here that Repayment effect was so significant on the portfolio that it weights over the effect of foreign exchanges rates increases and disbursement resulting into overall reduction of debt portfolio in each currency.

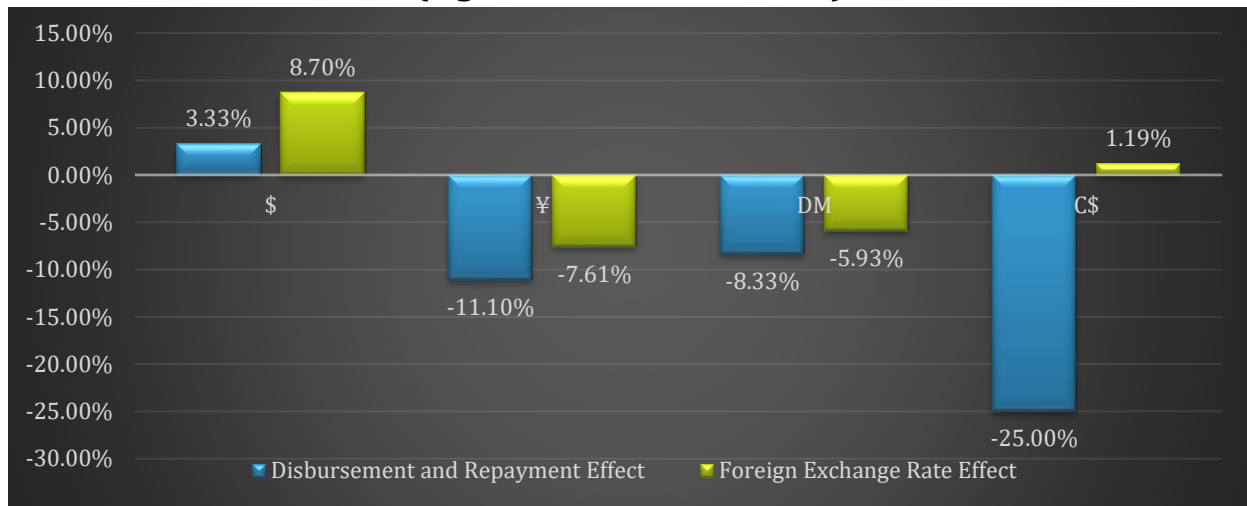
2.10 The combined of foreign exchange rate and Repayments and Disbursements are shown below at the **Table 2.6** and **Figure 2.3**:

(Table 2.6: Combined Effect)

Description	Rupees in Million			
	\$	¥	DM	C\$
Foreign Exchange effect in monetary terms	3,580.412	(509.347)	(47.961)	0.131
Disbursement and Repayment effect in monetary terms	1,326.769	(835.183)	(73.525)	(3.650)
Combined Effects in monetary terms	4,907.181	(1,344.53)	(121.486)	(3.519)
Combined Effects in %age terms	12.31%	(17.87%)	(13.77%)	(24.11%)

Moreover, the effect of CDL loan of Rs.11.786 million is only due to repayment made during the year. As no foreign currency was involved in CDL loan therefore there was only effect that is repayment effect.

(Figure 2.3: Combined Effect)



Based on the information provided in the above-mentioned graph It can be ascertained that the increase in debt portfolio was mainly due upward movement in US \$ rate and inflows in dollar toward the province.

3. DEBTS PORTFOLIO BY LENDERS

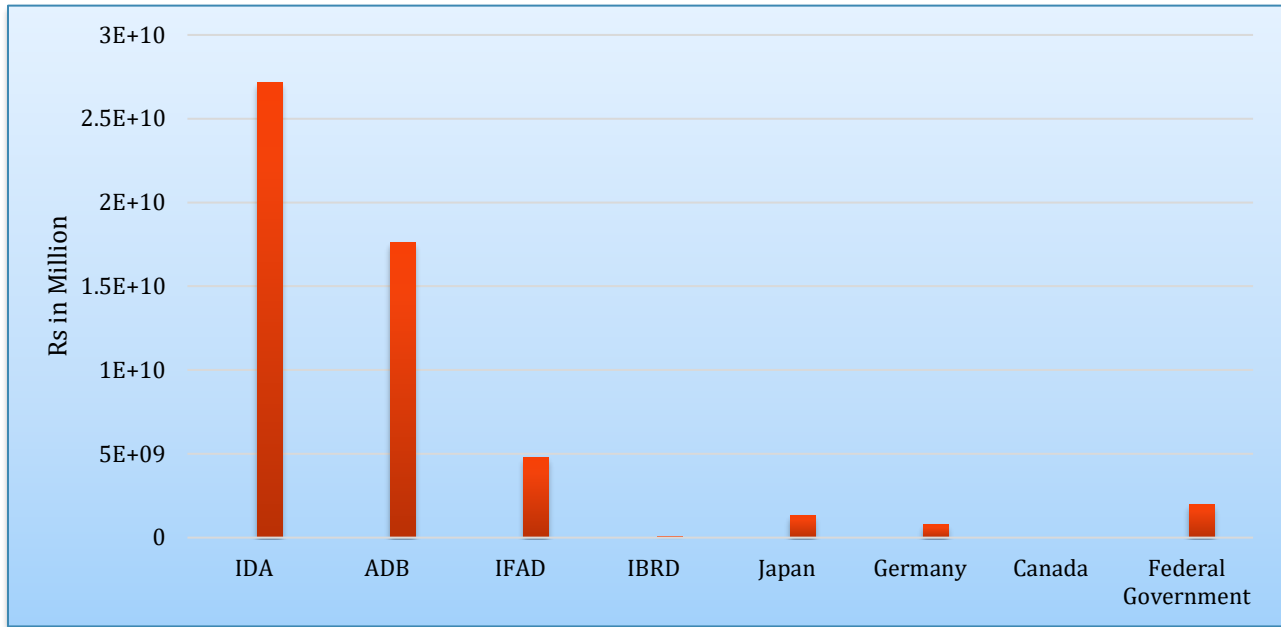
3.1 In the debt portfolio of the province 51% outstanding loans are from IDA and 33% from ADB while the rests are from various landing agencies as given below in the **Table 3.1 and Figure 3.1** below:

(Table 3.1: Agency wise Break up of Loan Position as on 30th June 2021)

Agency	DOD* 30 th June 2021 (Base Currency Millions)	DOD 30 th June 2022 (PKR Millions)
IDA (International Development Association)	\$155.159	27,152.741
IBRD (International Bank for Reconstruction and Development)	\$0.372	65.100
ADB (Asian Development Bank)	\$72.824	12,744.225
ADB (Asian Development Bank)	¥3,588.323	4,880.119
IFAD (International Fund for Agriculture Development)	\$27.389	4,793.082
Germany	DM 8.162	760.813
Japan	¥955.360	1,299.290
CIDA (Canadian International Development Agency)	C\$ 0.083	11.079
Federal Govt Through WAPDA	PKR	1,973.785
Total		53,680.234⁵

⁵These figures have been duly reconciled with EAD in Month of September 2022

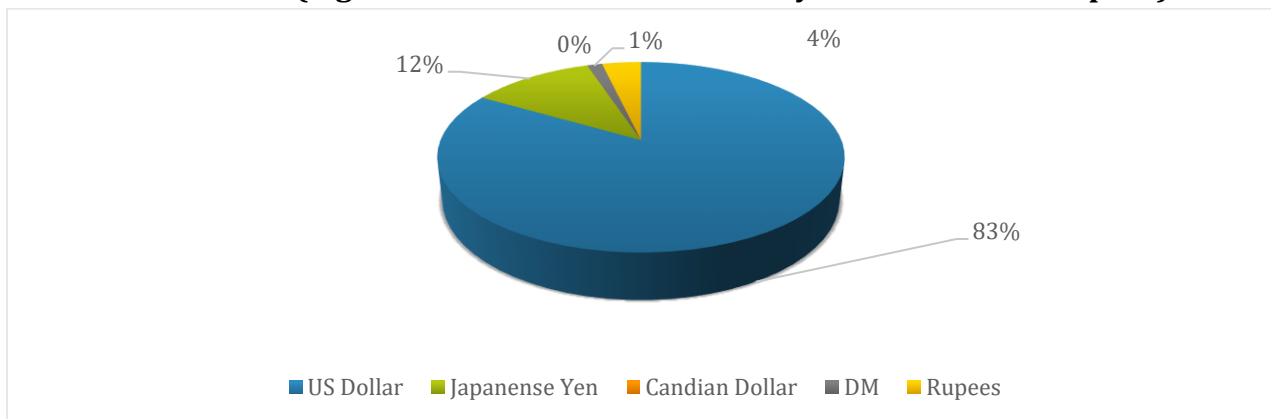
(Figure 3.1: lenders wise debt position)



4. DEBT POSITION BY CURRENCY COMPOSITION

4.1 The loans portfolio consists of multiple currencies including US Dollars, Canadian Dollar, Deutsche Mark and Japanese Yen and Pakistan Rupees. The US \$ dollar loans dominate the debt portfolio of the province. In case of foreign debts, the decision of loan currency is taken by EAD keeping in view the economy of loans in terms of interest rate and currency. In the loan portfolio, US \$ loans accounted for 83% of the loan portfolio, Japanese Yen 12%, Deutsche Mark 1.4% and Canadian Dollar loan 0.02%. The share of domestic loan in the debt portfolio is 3.7%. The currency wise debt portfolio composition of the province as on 30th June 2022 is shown in the pie chart **Figure 4.1**.

(Figure 4.1: Debt Position Currency Wise in million Rupees)



5. DEBT PORTFOLIO BY INTEREST TYPE

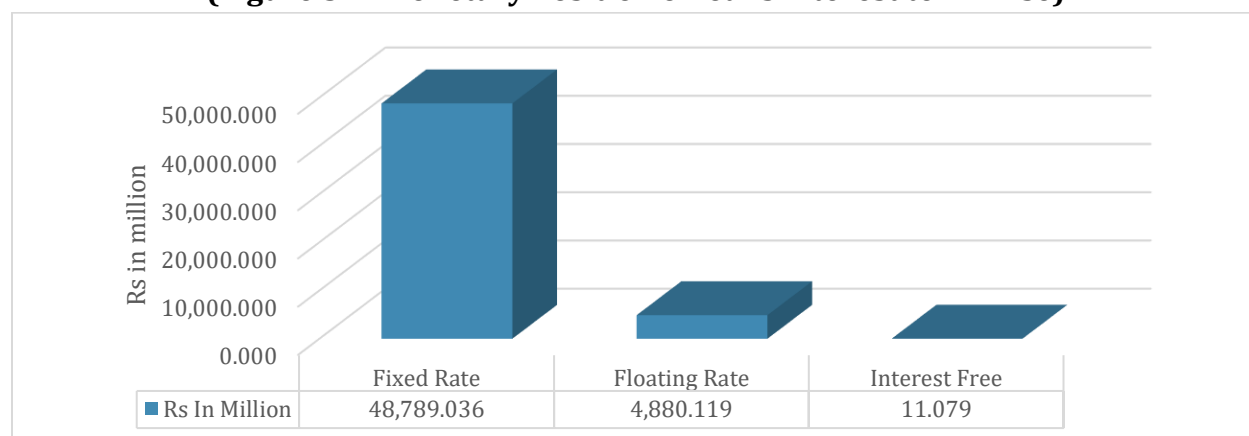
5.1 Loan profile of the province comprises of floating, fixed and interest free loans. The interest and service charges are paid half yearly on the disbursed balances (in case of active loans) or outstanding balances of loans (In case of closed loans). The loans from IDA are also subject to commitment charges/fees ranging from 0% to 0.5%. These charges are paid on the undisbursed balance of committed amount. Currently, these charges are waived by the IDA board, however the percentage of commitment charges are mentioned in the Finance Agreement of the loans. In the debt portfolio of the province 68 loans are on fixed interest rate loans obtained from IDA, IBRD, ADB, IFAD, Japan and Germany and whereas one interest free loan is received from Canda and one floating interest rate ADB. The share of each type loan based on interest type in monetary terms are 90.89% (Fixed interest rate),9.09% (Floating interest rate) and 0.02% (Interest free). The terms of loans are given in **Table 5.1** below;

(Table 5.1: Terms of Loan portfolio)

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%	01
IFAD	Fixed	0.75%	02
Germany	Fixed	0.75%	01
Japan	Fixed	2.30%	01
CIDA	Interest Free	0%	01
Federal Govt	Fixed	6.62%-11.79%	01
	Total		70

5.2 The breakup of fixed, floating and interest free loan in monetary terms is given at **Figure 5.1** through a bar chart:

(Figure 5.1: Monetary Position of loans interest term wise)



6. DEBT PORTFOLIO BY STATUS

6.1 The status of loan explains whether it is a closed loan or active loan. Closed loans are those where the disbursements had been completed and repayments of principle amounts of such loans are ongoing as per repayment schedule while active loans are those where disbursements are still ongoing or will start in the ongoing fiscal year. The status of active and closed loans is given at **Table 6.1:**

(Table 6.1: Status of Active Loans)

Name of Project	Lending Agency	Committed Amount (Millions)	Disbursed till 30 th June 2022 (PKR Million)	Estimated Disbursements during FY 2022-23 (PKR Million)
National Immunization Support Project (NISP)	IDA	SDR 2.172	352.348	0.000
Balochistan Integrated Water Resources Management and Development Project (BIWRM &DP)	IDA	SDR 77.557 *	8,203.257	4,899.700
Balochistan Water Resources Development Sector Project (BWRDSP)	ADB	\$100.000	2,652.509	3,813.000
Balochistan Human Capital Investment Project (BHCIP)	IDA	SDR 15.400	114.168	2,000.620
Balochistan Livelihoods and Entrepreneurship Project (BLEP)	IDA	SDR 14.800	0.000	0.000
Gwadar Lasbela Livelihood Support Project II (GLLSP)	IFAD	\$ 60.155	524.995	1,837.340
Actions to strengthen performance for inclusive and responsive education	IDA	\$ 200	0.000	50.000

*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.

6.2 The commitment amount of US \$ 200 Action to Strengthen Performance for Inclusive and Responsive Education Project at country level. However, in which the amount of Balochistan will be determined by Ministry of Education, Government of Pakistan, based on the needs of each province.

6.3 Moreover, BLEP is an active loan project with no disbursement during the fiscal year 2021-22. However, it is expected that in the on-going fiscal year amounts will be disbursed from these loans based on the cash flow requirements of respective PMU (Project Management Unit).

Active Loans

Rs. 11,847.277

Closed Loans

Rs. 41,832.958

7. SECTOR WISE OUTSTANDING DEBTS

7.1 The loans obtained by the Government of Balochistan over the years are for support of projects reflected in the Provincial Public Sector Development Programmed (PSDP) as Foreign Project Assistance (FPA) based on the respective needs of the sectors. The sector wise outstanding balances as on 30th June, 2022 are as follows in **Table 7.1**;

(Table 7.1: Sector wise debt position)

S.No	Description	No of Loans	DOD as on 30th June 2022 (Rs Million)	% Of Outstanding Amount
01	Agricultural	06	5,429.651	10.50%
02	Communication & Works	06	7,126.413	13.78%
04	Education	13	10,794.739	20.87%
05	Energy	01	79.960	0.15%
06	Finance Department	01	1,926.829	3.73%
07	Fisheries	01	87.150	0.17%
08	Governance, Research & Statistics	02	75.483	0.15%
09	Health	07	1,490.564	2.88%
10	Industries	02	29.663	0.06%
11	Irrigation	11	13,302.938	25.73%
12	Livestock	01	55.901	0.11%
13	Others	05	2,321.843	4.49%
14	Rural development & poverty reduction	02	4,771.416	9.23%
15	Social Welfare	04	2,299.570	4.45%
16	Public Health Engineering	08	1,914.331	3.70%
Total		70	51,706.451	100%

8. ACTUAL DISBURSEMENT OF ACTIVE LOANS

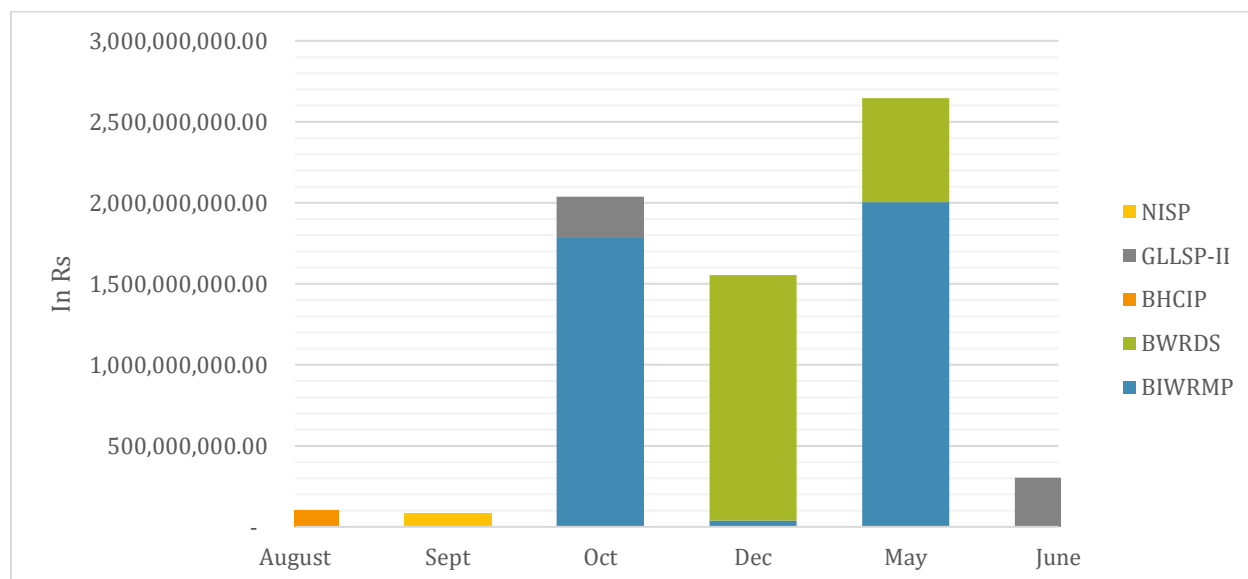
8.1 During the year ended 30th June 2022 actual disbursement of Rs. 6,725.210 million equivalents to US \$36.410 million were made on account of active loans for different projects. The project wise monthly disbursements from active loans during the year ended 30th June 2022 are shown below at **Table 8.1** with graphical presentation at **Figure 8.1**:

(Table 8.1: Disbursement from active loans)

Project Name	Agency	Actual Disbursement (Rs in Million)
National Immunization Support Project -(NISP)	IDA	82.505
Balochistan Integrated Water Resources Management & Development Project –(BIWRMP)	IDA	3,826.087
Balochistan Water Resource Development Project (BWRDP)	ADB	2,155.974
Balochistan Human Capital Investment Project (BHCIP)	IDA	102.145
Gwadar Lasbela Livelihood Support Project II (GLLSP)	IFAD	558.500
Total		6,725.211

It is pertinent to mention here that the above actual disbursement also includes direct payment of Rs.38.565 million (US \$ 0.220) and Rs. 640.887 (US \$ 3.206) made by PMU of Balochistan Integrated Water Resources Management & Development Project –(BIWRMP) and Balochistan Water Resource Development Project (BWRDP) respectively. However, the interest capitalized of US \$ 328,256 on account of Balochistan Water Resource Development Project is not included in the disbursement here.

(Figure 8.1: Graphical Presentation of Disbursement)



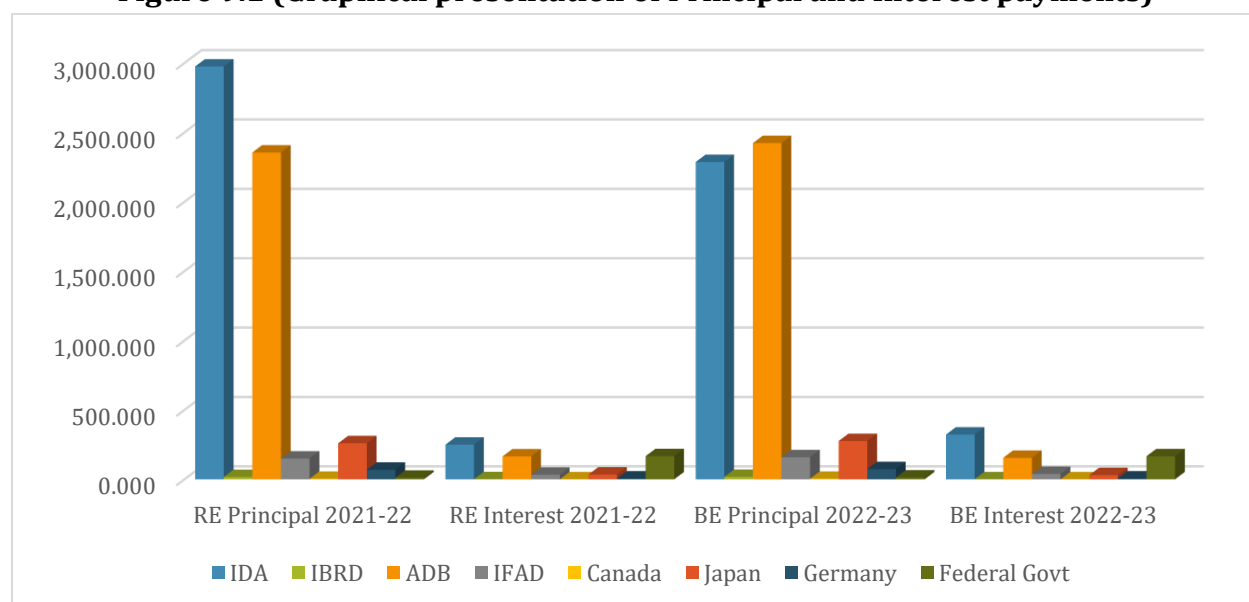
9. REPAYMENT OF PRINCIPAL DEBT AMOUNT & INTEREST THERE ON

9.1 The repayment amount consists of repayment of principal and interest cost on outstanding amount according to the rates and amortization 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. The foreign exchange loss/gain arising due to currency fluctuation is adjusted into the debt balances in the form of realized loss/gain. Payment of fiscal year 2021-22 and budget estimates of fiscal year 2022-23 is shown below at **Table 9.1** and **Figure 9.1**:

(Table 9.1: Debt Servicing current year and projected year)

Development Partner	Payments Rupees in Million			
	Principal	Interest	Principal	Interest
	Revised Estimates 2021-22		Budget Estimates 2022-23	
IDA	2,975.136	249.795	2,287.004	322.401
IBRD	16.275	0.580	17.298	0.487
ADB	2,355.372	165.357	2,423.230	154.971
IFAD	149.765	32.855	159.179	39.306
Canada	3.693	0.000	3.925	0.000
Japan	259.858	34.366	276.099	30.164
Germany	69.165	6.095	73.742	5.945
Federal Govt	11.786	167.135	13.097	165.824
Total	5,841.050	656.183	5,253.574	719.098

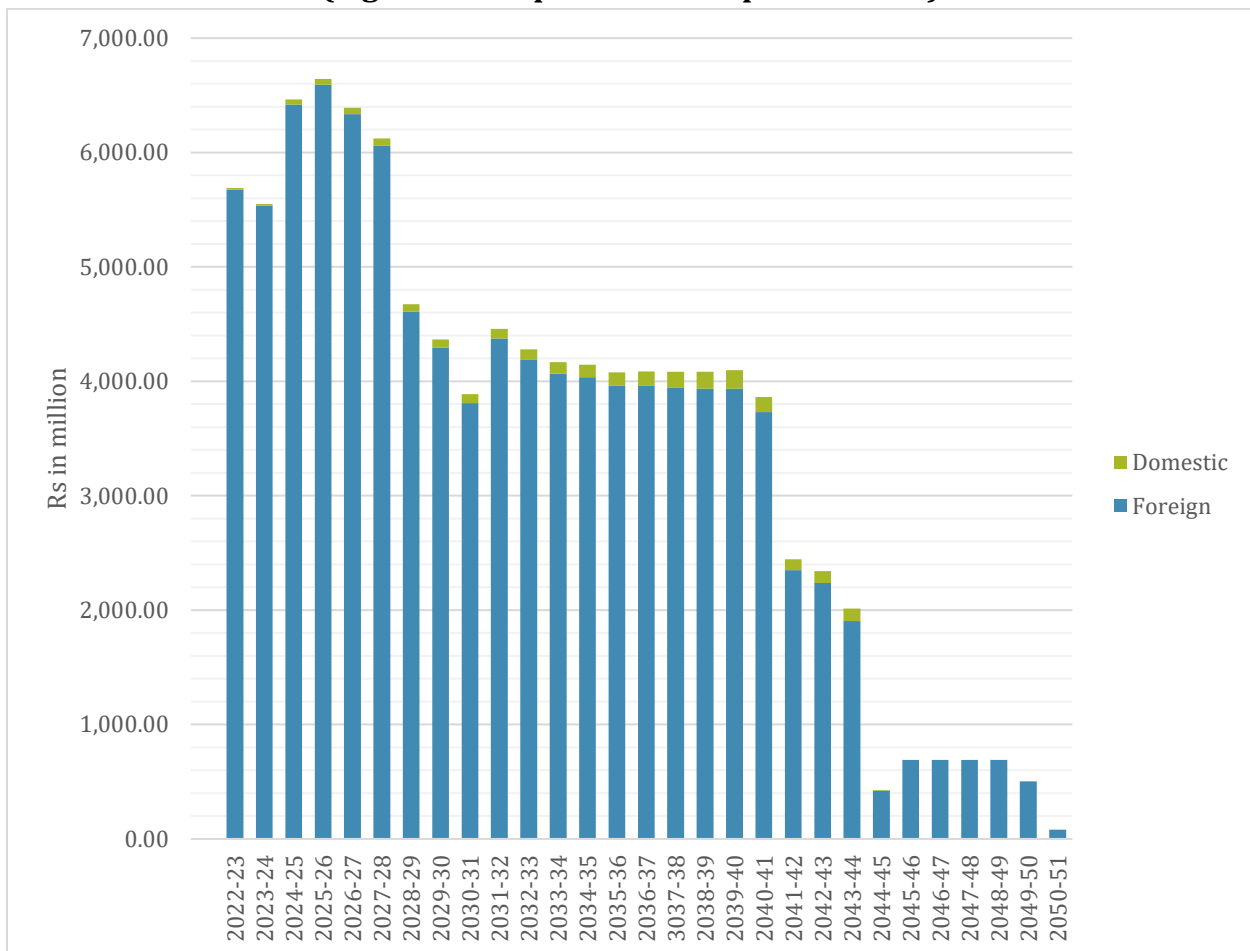
Figure 9.1 (Graphical presentation of Principal and Interest payments)



9.2 The upward surge predicated in foreign exchange rates has increased both the payment of principal and interest when compared to 2021-22. It is pertinent to mention here that the un-utilized fund amounting US \$ 4,726,319.94 on account of IDA loan No. 6590 (Pandemic Response Effectiveness) were diverted to the Federal Government for procurement of COVID vaccines in the month of July 2021. Therefore, the principal repayment in terms of base currencies is less that the year 2021-22.

9.3 Expected Redemption Profile; The redemption profile is of the existing outstanding loan and the expected disbursement of active loans in the debt portfolio over the agreed time period. The exchange rates communicated by EAD for the budget year 2021-22 have been used for conversion of debt portfolio in Pak Rupees. This redemption profile is based on existing stock; however, it is subject to change with the addition of new loans and change in exchange rate. A graphical presentation of redemption profile is shown below at **Figure 9.2:**

(Figure 9.2: Expected Redemption Profile)



10. DEBT SUSTAINABILITY

10.1 Debt sustainability analysis is important because it gives the province a medium to long-term perspective of its debt burden. Maintaining Debt at a sustainable level means that the volume of debt service doesn't affect routine and development expenditure and the debt to provincial revenue is low and not rising over time. Debt sustainability can be assessed through indicators namely solvency/vulnerability (debt bearing capacity) and liquidity/fiscal indicators (debt servicing capacity). A year wise comparison between different indicators is shown at **Table 10.1** below:

(Table 10.1: Debt Sustainability Indicators)

Indicators	Description	2022-23	2021-22
Solvency/Vulnerability Indicators	Outstanding debts to the budgeted federal transfer	13.47%	14.12%
	Outstanding debts to the budgeted provincial own receipts (Tax and Non-Tax Receipts)	51.92%	48.69%
Liquidity/Fiscal Indicators	Principal Repayment to Revenue Expenditure	1.53%	1.46%
	Principal Repayment to Revenue Receipt	1.04%	1.00%
	Interest payment to Revenue Expenditure	0.21%	0.20%
	Interest payment to Revenue Receipt	0.14%	0.14%

11. RISK ANALYSIS OF DEBT PORTFOLIO

11.1 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. Risk indicators are shown at **Table 11.1**:

(Table 11.1: Risk indicators)

Risk Indicators	30th June 2022	
Refinancing Risk	Debt Maturing in 1 year (% of total)	0.00%
	Average Time to Maturity ⁶ (ATM) Years	11.53 Years
Interest Rate Risk	Fixed rate debt (% of total)	90.91%
	Debt Re-fixing in 1 Year (% of total)	5.26%
	Average Time to Re-fixing ⁷ (ATR) Years	11.35 Years

⁶A 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.

⁷A 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.

Foreign Exchange Risk	Foreign currency debt as % of total debt	96.32%
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11.2 Re-Financing/Roll-Over Risk; Refinancing/Rollover Risks refer to the risk of having 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 the Balochistan loan portfolio is in good shape of 11.53 years. This is due to concessional loan portfolio with low interest rate and high maturity period. The above mention data shows that the loan portfolio exposure to refinancing risk is low.

11.3 Interest Rate Risk; The Interest Rate Risk refers to the 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 11.35 years which is quite high and on safe side this means portfolio exposure to interest rate risk is low.

11.4 Foreign Exchange Risk; Since the total loan portfolio of the province consists of 96.32 % 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, had a huge impact on the outstanding loan balances and interest payments. During the year ended 30th June 2022 a loss of Rs 2,508.895 million were incurred on account of foreign current fluctuation.