



BI-ANNUAL DEBT BULLETIN

31st DECEMBER, 2022

DEBT MANAGEMENT UNIT
FINANCE DEPARTMENT
GOVERNMENT OF BALOCHISTAN

PREFACE

I am pleased to present the 6th Bi-Annual Debt Bulletin Report, Government of Balochistan, which aims to provide the public with a broad set of relevant information and statistics on the province's debt position along with movement during the half year ended 31st December 2022. The main objective of publishing 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.

This report is portrayal of Government's commitment to transparency, accountability and access to information by the general public that is also emphasized under the Government of Balochistan Right to Information Act, 2021. It provides statistical data on Balochistan's public debt portfolio over the half year to assess and analyze the provincial debt in a microscopic way.

The bulletin is divided into several parts giving comprehensive information about the debt portfolio of the province through detailed data on the debt portfolio presented in statistical tables and charts; Debt Portfolio analysis for the period and debt sustainability and risks.

Above in view, I would like to appreciate the technical support provided by Debt Management Unit (DMU) to debt section (Finance Department) in the management of debts of the province including but not limited to reconciliation, portfolio analysis, risk analysis etc. This untiring efforts of the DMU have for reaching impact on the fiscal discipline of the province. Moreover, a copy of this report can also be easily accessed on www.finance.gob.pk

(KAMBAR DASHTI)
SECRETARY FINANCE

Table of Contents

ABBREVIATIONS	1
1.INTRODUCTION	3
2.REVIEW OF DEBT PORTFOLIO OF THE PROVINCE.....	4
a) Effect of Foreign Exchange Rates Fluctuation;	4
b) Effect of Net of Disbursement and Repayment;.....	6
3.DEBT PORTFOLIO BY LENDERS	8
4.DEBT POSITION BY CURRENCY COMPOSITION.....	9
5.DEBT PORTFOLIO BY INTEREST TYPE	9
6.DEBT PORTFOLIO BY STATUS	10
7.SECTOR WISE OUTSTANDING DEBTS.....	11
8.ACTUAL DISBURSEMENT FROM ACTIVE LOANS.....	12
9.REPAYMENT OF PRINCIPAL & INTEREST	13
9.2 Expected Redemption Profile;	13
10.DEBT SUSTAINABILITY	14
11.RISK ANALYSIS OF DEBT PORTFOLIO	15
11.2 Re-Financing/Roll-Over Risk;	16
11.3 Interest Rate Risk;.....	16
11.4 Foreign Exchange Risk;	16

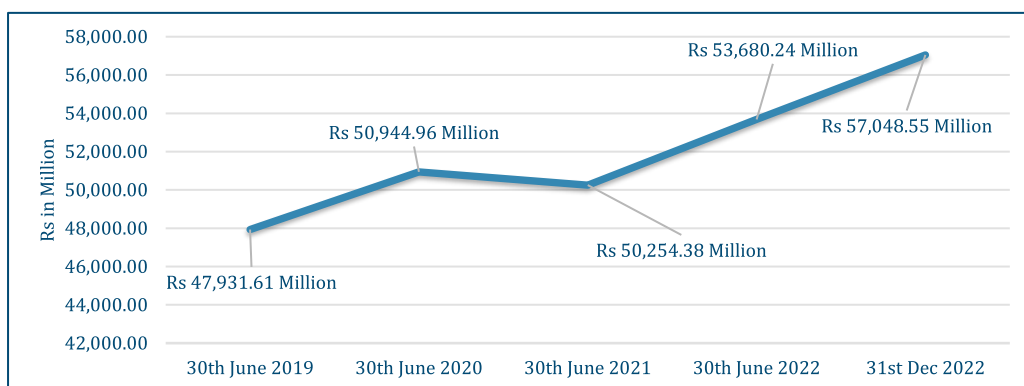
ABBREVIATIONS

ADB	Asian Development Bank
ATM	Average Time to Maturity
ATR	Average Time to Re-fixing
BC	Base Currency
BHCP	Balochistan Human Capital Project
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 Debt portfolio of the province comprises of long term concessional external (foreign) and domestic debts. Foreign debts have been availed through Economic Affairs Division (EAD) from different multilateral and bilateral institutions by the Government of Balochistan (GoB) and these loans were transferred with same terms and conditions by relending (on-lent loans¹) mechanism to the province. These loans have been availed keeping in view the required economic growth of the province and filling of economic & social gap through development projects in the socio-economic sectors of the province. Apart from the major foreign currency portfolio, the province had also entered into a composite Cash Development Loan (CDL) arrangement with the Federal Government for the development of Right Bank Outfall Drainage in Naseerabad Division by WAPDA.

1.2 The total debt profile of the province as on 31st December,2022 stands at 57,048.547 million with foreign debts 96.55%. High level of foreign loans in debt profile of the province clearly indicates high degree of exposure to exchange rate risk. The trend in outstanding debts balances of the province over last few years are shown below.



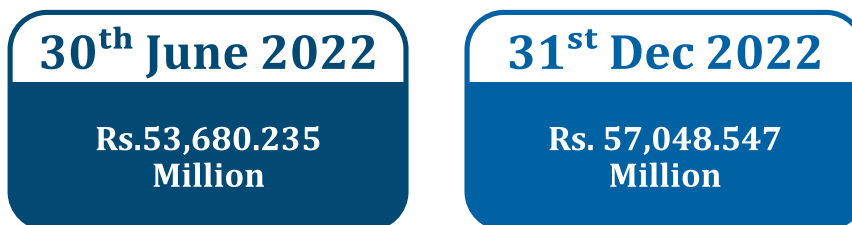
1.3 The above graph clearly indicates that there is upward trend in debt portfolio of the province mainly due to exchange rate parity fluctuation. The exchange rates used for compiling debt data on borrowing, debt servicing, disbursements, outstanding debts and debt projections are communicated by EAD (Economic Affairs Division), Government of Pakistan, to province for translation of base currencies into Pak Rupees.

1.4 The following sections talk about the current debt balances, movement in debt portfolio during the financial period (1st July 2022 to 31st Dec 2022), effects of exchange rate & disbursements (receipts) and repayments during the fiscal period on the portfolio, risk analysis and a presentation of debts by lenders, sectors and currencies.

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

2.REVIEW OF DEBT PORTFOLIO OF THE PROVINCE

2.1 Outstanding balances of disbursed debts including foreign and domestic debts of the provinces as on 31st December, 2022 and June 30, 2022 are depicted as under;



2.2 It is clearly evident from the above-mentioned figure that debt portfolio of the province has been increased by Rs.3,368.314 million as on 31st December, 2022. As loan portfolio of the province is dominated in multiple currencies, therefore the impact of increase/decrease in Pakistan Rupees by currency wise on debt portfolio is shown at **Table 2.1:**

(Table 2.1: Movement on Debt Portfolio during the period)

Base Currency	<-----Rupees in Million----->			Growth /(Reduction) %
	31 st Dec 2022	30 th June 2022	Increase /Decrease	
US Dollar	48,162.327	44,755.149	3,407.178▲	7.61%
Japanese Yen	6,134.879	6,179.409	44.530▼	(0.72) %
Canadian Dollar	9.813	11.079	1.266▼	(11.43) %
Deutsche Mark	774.293	760.813	13.480▲	1.77%
Pak Rupees	1,967.236	1,973.784	6.549▼	(0.33) %
Total	57,048.548	53,680.234	3,368.314▲	6.27%

2.3 Table 2.1 clearly depicts that the loan portfolio of the province has increased by 6.27% as on 31st December,2022 and this increase is attributed to effects of the followings;

- (a) Foreign Exchange Rate Fluctuation Effect;
- (b) Net of disbursement/Repayment Effect

a) Effect of Foreign Exchange Rates Fluctuation;

2.4 The exchange rates parity of Pakistan Rupees to borrowing currencies are communicated to the province by EAD/Finance Division each year and loan portfolio is adjusted accordingly. Moreover, the majority debts (IDA and IBRD) of the Government of Balochistan have been contracted in SDRs (Special Drawing Rights) 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). Whereas according to financing agreements repayment will be made in US \$ due to which at the time of repayments the SDRs have to be converted into US \$ and the balances are adjusted accordingly. The effect of change in exchange rate is shown below at **Table 2.2:**

(Table 2.2: Exchange Rate Effect)

Description	\$	¥	DM	C\$
Exchange Rate (budgeted) PKR to BC 2022-23	186.000	1.445	99.383	142.736
Exchange Rate PKR to BC 2021-22	175.000	1.360	93.214	134.295
Exchange Rate Effect	6.29%	6.25%	6.62%	6.29%

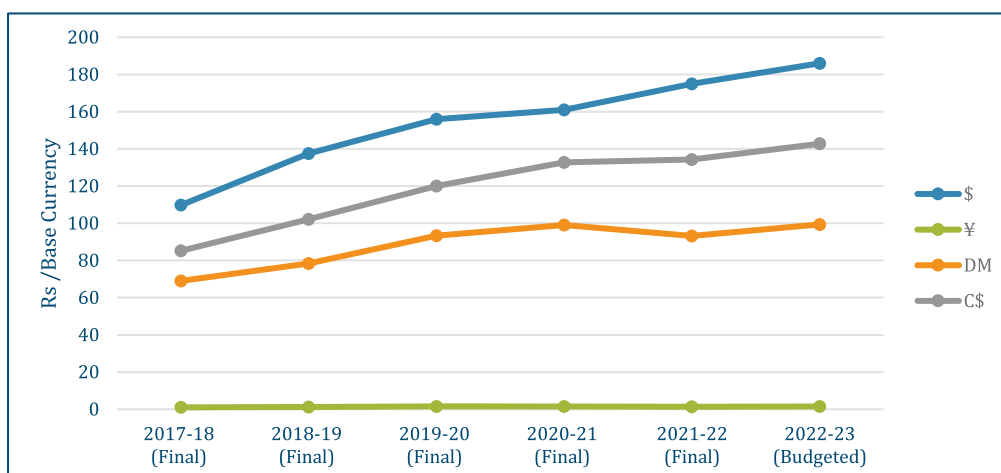
2.5 Above Table 2.2 shows that PKR has depreciated against all borrowing currencies resulting in overall Foreign Loss. Exchange Rate movement in borrowing currencies was so massive in magnitude that it even washed away the impact of other factors from debt portfolio.

2.6 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. 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 etc. Budgeted rates for Fiscal Year 2022-23 and historical rates for the previous 5 years communicated by the Economic Affairs Division with graphical presentation are given below in **Table 2.3** and **Figure 2.1**.

(Table 2.3: Historical Trends in Base Currencies to Pak Rupees)

Borrowing Currencies	\$	¥	DM	C\$
2022-23 (Budgeted)	186.00	1.45	99.38	142.74
2021-22 (Final)	175.00	1.36	93.21	134.29
2020-21 (Final)	161.00	1.47	99.09	132.71
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 2.1: Historical trends -Foreign Exchange Rates)



2.6 Moreover, at the time of finalization of this debt bulletin the actual exchange rates of Pak Rupees to base currencies are much higher than budget. However, these are not presented here as all the balances are adjusted only after communication of final exchange rates from the EAD/Finance Division though it might have huge impact on the debt balances.

b) Effect of Net of Disbursement and Repayment;

2.7 Another attribute of movement on debt portfolio is that of disbursement (receipts) and repayment effect. During the period, the Government paid installments related to various closed loan as per the financing agreement & amortization schedule and received disbursement from existing ongoing loans. The effect of disbursement and repayments is shown in **Table 2.4** below;

(Table 2.4: Disbursement and Repayment Effect)

Description	Amount In Million (Base Currencies)				
	\$	¥	C\$	DM	Rs
Opening Balances as on 1 st July 2022	255.744	4,543.683	0.083	8.162	1,973.784
Disbursements from July-Dec 2022	18.505	-	-	-	-
Repayments from July-Dec 2022	(15.312)	(298.092)	(0.014)	(0.371)	(6.549)
Closing Balances as on 31 st Dec 2022	258.937	4,245.591	0.069	7.791	1,967.236
Disbursement and Repayment % age Change	1.25	(6.56)	(16.67)	(4.55)	(0.33)

2.8 The disbursement includes Capitalization of interest amounting of US \$ 0.152 million on account of Balochistan Water Resources Development Sector Project.

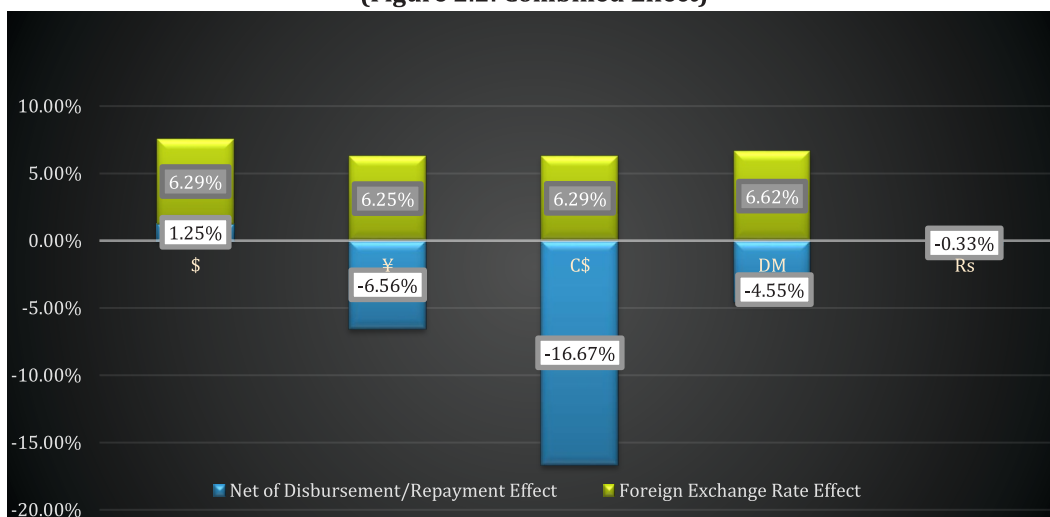
2.9 The combined effect of foreign exchange rate and repayments/disbursements are shown below at **Table 2.4 & Figure 2.2** below:

(Table 2.4: Combined Effect from Table 2.2 & Table 2.4)

Description	\$	¥	C\$	DM	Rs
Net of Disbursement/Repayment Effect	1.25%	(6.56) %	(16.67) %	(4.55) %	(0.33) %
Foreign Exchange Rate Effect	6.29%	6.25%	6.29%	6.62%	0.00%
Combined Effect	7.62%	(0.72) %	(11.43) %	1.77%	(0.33) %

2.10 Moreover, the effect of CDL loan is only due to repayment made during the period. As no foreign currency was involved in CDL loan, therefore there was only repayment effect.

(Figure 2.2: Combined Effect)



2.11 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 borrowing currencies and inflows in dollar toward the province.

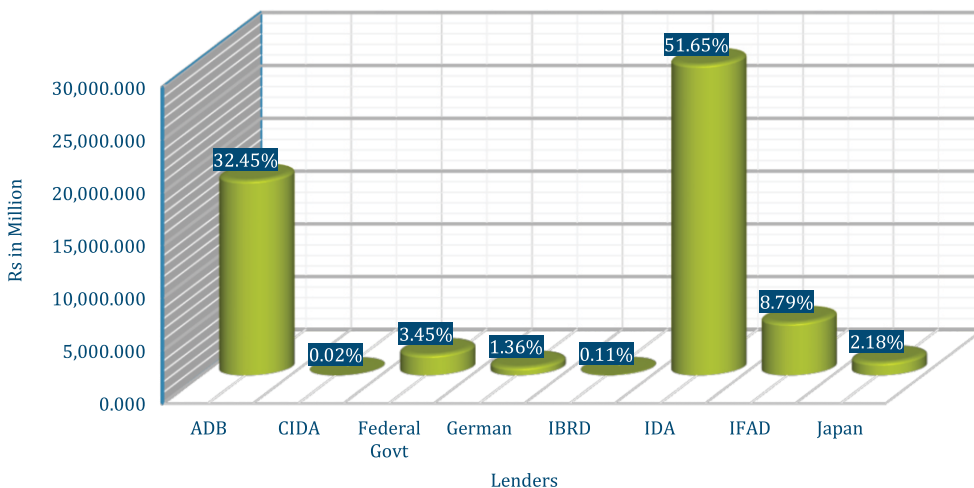
3.DEBT PORTFOLIO BY LENDERS

3.1 Provinces avail external loans, through Economic Affairs Division, Government of Pakistan from various International Agencies including IDA (International Development Association), IBRD (International Bank for Reconstruction and Development), ADB (Asian Development Bank), IFAD (International Fund for Agriculture Development), CIDA (Canadian International Development Agency), Germany and Japan. An agency wise break up of outstanding loan balances as on 31st Dec 2022 in PKR terms is shown in the **Table 3.1 & Figure 3.1** below:

(Table 3.1: lenders wise debt position)

Agency	Outstanding debts as on 31 st Dec 2022 ² (BC in Million)	Outstanding debts as on 31 st Dec 2022 (Rs. in Million)
IDA (International Development Association)	\$ 158.418	29,465.728
IBRD (International Bank Reconstruction & Deve)	\$ 0.326	60.543
ADB (Asian Development Bank)	\$ 73.239	13,622.495
ADB (Asian Development Bank)	¥ 3,385.767	4,892.433
IFAD (International Fund for Agriculture Deve)	26.955	5,013.560
Germany	DM 7.791	774.293
Japan	¥ 859.824	1,242.446
CIDA (Canadian International Development Agency)	C\$ 0.069	9.813
Federal Govt through WAPDA	Rs 1,967.236	1,967.236
Total		57,048.547

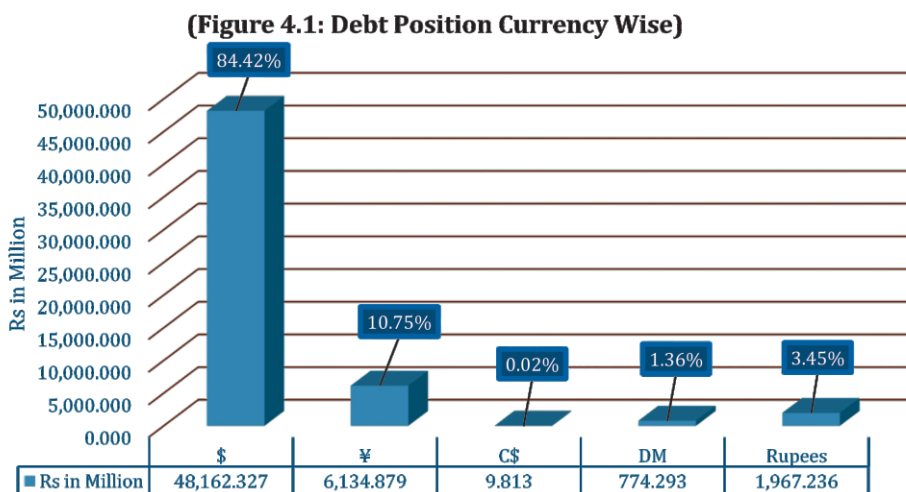
(Figure 3.1: lenders wise debt position)



² Balances are reconciled with EAD in the month of Feb, 2023

4. DEBT POSITION BY CURRENCY COMPOSITION

4.1 Loans portfolio consist of multiple currencies including US Dollars, Canadian Dollar, Deutsche Mark, Japanese Yen and Pakistan Rupees. 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. US \$ loans account for 84.42% of the loan portfolio while Japanese Yen and Deutsche Mark loans accounted for 10.75 % and 1.36% respectively. Currency wise debt portfolio composition of the province as on 31st Dec 2022 is shown in **Figure 4.1** below.



5. DEBT PORTFOLIO BY INTEREST TYPE

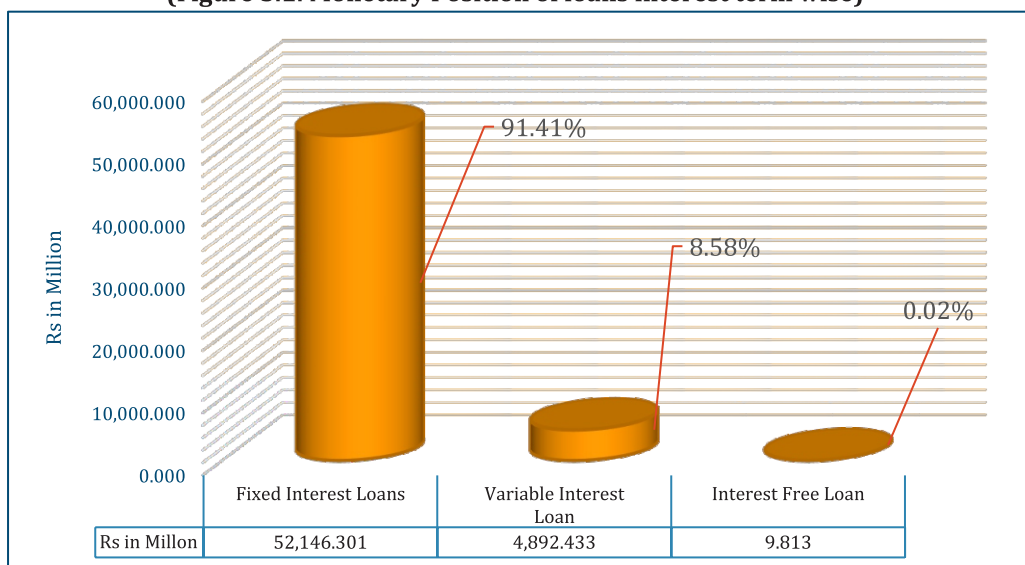
5.1 The loan availed have been taken on floating, fixed and interest free rate wherein, in terms of value, fixed interest rate loans are 91.41%, variable interest rate loan is 8.58% and interest free loan is 0.02% of debt portfolio of the province. The terms of loans are given in **Table 5.1** below;

(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%	03
Germany	Fixed	0.75%	01
Japan	Fixed	2.30%	01
CIDA	Interest Free	0%	01
Federal Govt	Fixed	6.62%-11.79%	01
Total			71

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 disbursements have been completed and repayments of principal amounts of loans are in process as per repayment schedule while active loans are those where disbursements are still being received or will start in the ongoing fiscal year. The status of active loans is given at **Table 6.1** as under:

(Table 6.1: Status of Active Loans)

Name of Project	Lending Agency	Committed Amount (Millions)	Estimated Disbursements during FY 2022-23 (Rs. Million)	Disbursement Up to 31 st Dec 2022 (Rs. Million)
National Immunization Support Project (NISP)	IDA	SDR 2.172	0.000	369.672
Balochistan Integrated Water Resources Management and Development Project (BIWRM &DP)	IDA	SDR 77.557*	4,899.700	8,993.006
Balochistan Water Resources Development Sector Project (BWRDSP)	ADB	\$100.000	3,813.000	3,876.205

Balochistan Human Capital Investment Project (BHCIP)	IDA	SDR 15.400	2,000.620	1,477.175
Balochistan Livelihoods and Entrepreneurship Project (BLEP)	IDA	SDR 14.800	0.000	0.000
Gwadar Lasbela Livelihood Support Project II (GLLSP)	IFAD	\$ 60.155	1,837.340	557.995
Actions to strengthen performance for inclusive and responsive education	IDA	\$ 200.000	50.000	0.000
Total			12,600.66	15,274.053

*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 From disbursement point of view, Debt portfolio of province consists of 71 loans in number in which five (5) loans are active and 66 have been closed. However, as shown above, two active loans (Balochistan Livelihoods and Entrepreneurship Project and Actions to Strengthen Performance for Inclusive and Responsive Education) have zero disbursement as on 31st December, 2022 and therefore are not shown in the loan portfolio. Active loans are from lenders IFAD, IDA and ADB. Outstanding balances from active loans are 26.77% and closed 73.23% of the debt profile of the province.



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. Sector wise outstanding balances as on 31st Dec, 2022 are as follows in **Table 7.1**;

(Table 7.1: Sector wise debt position)

S. No	Description	No of Loans	DOD as on 31st Dec 2022 (Rs Million)	% Of Outstanding Amount
01	Agricultural	06	5,539.964	9.71%
02	Communication & Works	06	7,077.595	12.41%
03	Education	12	12,130.288	21.26%
04	Energy	01	81.123	0.14%
05	Finance Department	01	1,911.414	3.35%
06	Governance, Research & Statistics	02	77.107	0.14%
07	Health	07	1,475.964	2.59%
08	Industries	02	30.188	0.05%
09	Irrigation	10	15,243.861	26.72%
10	Livestock	01	47.531	0.08%
11	Others	06	2,346.281	4.11%
12	Rural development & poverty reduction	02	4,991.745	8.75%
13	Social Welfare	04	2,290.937	4.02%
14	Water	10	3,804.549	6.67%
Total		71	57,048.547	100%

8.ACTUAL DISBURSEMENT FROM ACTIVE LOANS

8.1 During the period ended 31st Dec,2022 Rs 3,989.023 million equivalent to US \$ 18.353 million have been disbursed on account of active loans from IDA and ADB. Project wise monthly and total disbursements from active loans during the period ended 31st Dec 2022 are shown below at **Table 8.1** with graphical presentation at **Figure 8.1**:

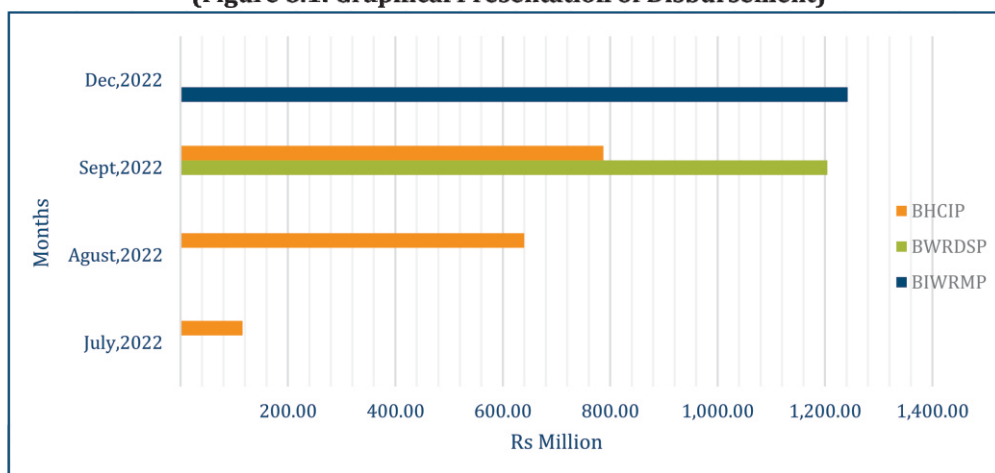
(Table 8.1: Disbursement from active loans)

Loan / Project Name	Agency	<-----PKR in Million----->				
		July 2022	August 2022	Sept 2022	Dec 2022	Total
BIWRMP	IDA	-	-	-	1,242.258	1,242.258
BWRDSP	ADB	-	-	1,204.356	-	1,204.356
BHCIP	IDA	115.308	639.980	787.121	-	1,542.409
Total		115.308	639.98	1,991.477	1242.258	3,989.023

*Observations used above are shown in abbreviations table.

8.2 Moreover, interest capitalized of US \$ 151,754 on account of Balochistan Water Resource Development Project is not included in the disbursement.

(Figure 8.1: Graphical Presentation of Disbursement)



9. REPAYMENT OF PRINCIPAL & INTEREST

9.1 Repayment amount consists of repayment of principal and interest cost on outstanding amount according to the rates and repayment schedule agreed upon at the time of 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. Budget estimates for fiscal year 2022-23 and payment for the period is shown below at **Table 9.1** respectively:

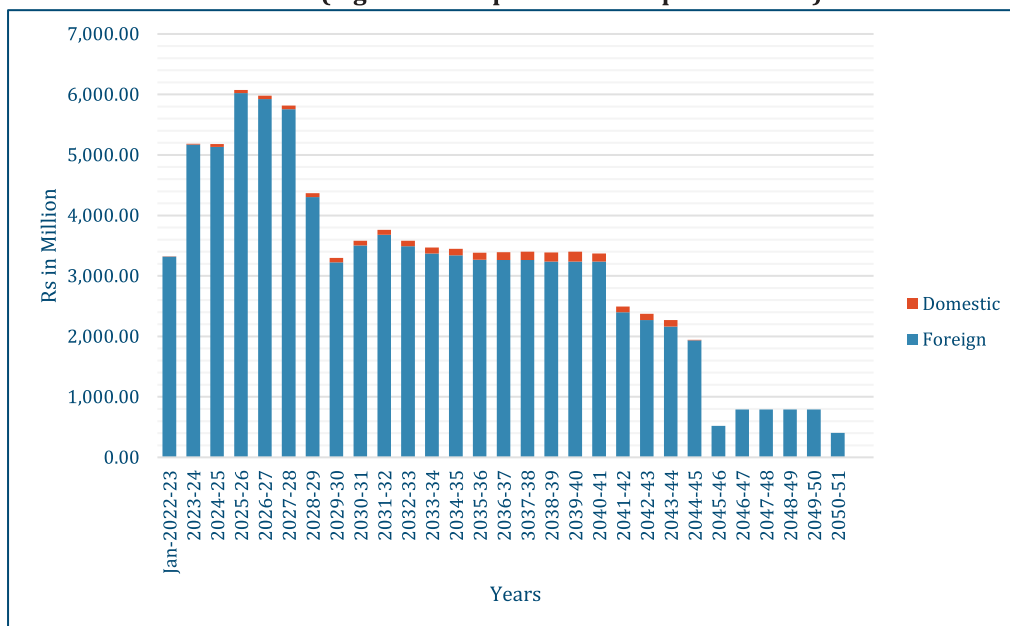
(Table 9.1: Debt Servicing Budgeted and Actual)

Development Partner	Payments Rupees in Million			
	Principal	Interest	Principal	Interest
	Revised Estimates 2022-23		Paid from 1st July-2022 to 31st Dec 2022 (BE Rate)	
IDA	2,686.758	311.226	1,778.750	151.164
IBRD	17.298	0.487	8.649	0.259
ADB	2,423.234	154.971	1,272.456	80.314
IFAD	161.603	43.777	80.802	21.374
Canada	276.099	30.164	138.050	15.876
Japan	3.925	0.000	1.963	0.000
Germany	73.742	5.945	36.871	3.042
Federal Govt	13.097	165.824	6.549	82.912
Total	5,655.756	712.394	3,324.089	354.941

9.2 **Expected Redemption Profile;** Redemption profile is of existing outstanding loans and expected disbursement from active loans over the agreed time period. The exchange

rates communicated by EAD for the budget year 2022-23 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)



In redemption profile, it is assumed that full committed loan of active loans will be distributed and repayments of committed amount will be made as per financing agreement.

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 recurrent and development expenditure and the debt to provincial revenue is low over time. Debt sustainability can be assessed through indicators, as these are basically used to measure the indebtedness level of a Province. Commonly known are solvency/vulnerability (debt bearing capacity) and liquidity/fiscal indicators (debt servicing capacity). A period wise comparison between different indicators is shown at **Table 10.1** below:

(Table 10.1: Debt sustainability indicators)

Indicators	Description	31 st Dec 2021	31 st Dec 2022
Solvency/Vulnerability Indicators³	Outstanding debts to the budgeted federal transfer	14.14%	14.31%
	Outstanding debts to the budgeted provincial own receipts (Tax and Non-Tax Receipts)	48.77%	55.17%
Liquidity/Fiscal⁴ Indicators	Principal Repayment to Revenue Expenditure	2.82%	2.09%
	Principal Repayment to Revenue Receipt	1.69%	1.65%
	Interest payment to Revenue Expenditure	0.36%	0.26%
	Interest payment to Revenue Receipt	0.22%	0.20%

10.2 As shown in table 10.1, outstanding debts to budgeted provincial own receipts have been increased by 6.4% when compared to 31st Dec 2021. This is because of the fact that growth in provincial receipts is only 0.179% while growth in debts is 13.34% attributed mainly to Exchange Rate fluctuations.

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)

Factors	Risk Indicators	31st Dec 2022
Cost of Debt (Range)	Fixed Rate Debts (Foreign)	2.30%-0.75%
	Variable Rate Debts (Foreign)	LIBOR+0.6%
	Domestic Debts	6.62%-11.79%
Refinancing Risk	Debt Maturing in 1 year (% of total)-Foreign Debts	0.13%
	Debt Maturing in 1 year (% of total)-Domestic Debt	0.00%
	Average Time to Maturity ⁵ (ATM) Foreign Debts-Years	10.45 Years

³For Solvency indicators Budgeted Federal Transfer and Budget own Revenue are for whole year and are taken from ABS-2022-23.

⁴For Liquidity indicators Revenue Receipts & Revenue Expenditures are on actual basis for 6 months i.e., 1st July to 31st December and are taken for SAP. Interest payments and principal repayments are taken of 6 months.

⁵A 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.

Interest Rate Risk	Average Time to Maturity (ATM)-Domestic Debts Years	12.97 Years
	Fixed rate debt (% of total)	91.42%
	Debt Re-fixing in 1 Year (% of total)	3.84%
	Average Time to Re-fixing ⁶ (ATR) Years	10.32 Years
Foreign Exchange Risk	Foreign Currency Debt as % of Total Debt	96.55%

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. 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. ATM of the Balochistan loan portfolio is in good shape of 10.45 & 12.95 years for foreign and domestic debts respectively. 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 Debts 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. ATR of Balochistan loan portfolio is 11.04 years which is quite high and on safe side. Furthermore, the other two indicators that is Debt Re-fixing in a year and fixed rate debts are also quite on safe side. Therefore, portfolio exposure to interest rate risk is very low.

Interest Rate Risk of domestic debts are zero as entire domestic debts are of fixed interest rates.

11.4 Foreign Exchange Risk; Only foreign debts are exposed to exchange rate risk. As 96.55% of the debt portfolio consist of foreign debts that is why, foreign exchange risk for Balochistan is at the higher side. Moreover, the abrupt depreciation of Pak Rupees against foreign currencies, has a huge impact on the outstanding loan balances and interest payments in PKR terms.

⁶A 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 rate risk exposure.



Finance Department, Government of Balochistan
Block No. 5, Civil Secretariat Quetta.
Tel: 081-9204630 Twitter: @FinanceGob
URL: finance.gob.pk