



# Debt Statistical Bulletin

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December 31, 2020



**DEBT MANAGEMENT UNIT**  
**FINANCE DEPARTMENT**  
GOVERNMENT OF KHYBER PAKHTUNKHWA



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# Abbreviations

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ADB	Asian Development Bank
AFD	Agence francaise de development
ATM	Average Time to Maturity
ATR	Average Time to Refixing
DOD	Disbursed and Outstanding
DM	Deutschemark (German Currency)
EAD	Economic Affairs Division
FC	Foreign Currency
IDA	International Development Association
IFAD	International Fund for Agricultural Development
GoKP	Government of Khyber Pakhtunkhwa
IBRD	International Bank for Reconstruction and Development
JPY	Japanese Yen
JICA	Japan International Cooperation Agency
LIBOR	London Inter Bank Offered Rate
NHP	Net Hydel Profits
Rs	Pakistani Rupee
USD	United States Dollar
WAIR	Weighted Average Interest Rate

# Preface

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This statistical bulletin is an attempt by the KP's Government that presents a comprehensive compilation of debt statistical tables in one publication. The motivation for the compilation of the bulletin stems from a recognized need to exhibit transparency and instill confidence in the management of public debt, it is critical to centralize debt statistics obtained from different institutions into one publication, hence this bulletin.

In order to enhance understanding with regard to the content in the statistical bulletin, details of methodologies, definitions and classification of the debt figures are included. Further, the conceptual approach in the bulletin is aligned with best international practices and standards in order to facilitate comparison with other international data sets.



# 1. Introduction

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As of December 31, 2020 provincial debt consists of Rs 268.690 billion of foreign loans and comprise of 95 number of loans for different projects, it is exclusively from external funding and on-lending to KP government by the Federal Government.

These foreign loans are negotiated via federal government - through the Ministry of Economic Affairs previously (Economic Affairs Division), acting as sovereign borrower. While the debt service, including fees, interest and principal repayment is borne by the provincial government's budget through deduction from the monthly revenue share, received from the federal government.

More, than 90% of loans are provided by two institutions, ADB and IDA. The average interest rate of these loans is around 2%-2.50%, the annual principal repayment of these 95 loans is around Rs. 10.635 Billion and Interest cost is over Rs. 2.203 Billion annually.

Most of these loans are concessional or highly concessional with an amortizing repayment profile of 30 to 40 years with 5 to 10 years' grace period. Usually, IDA loans are negotiated at fixed interest rates, currently 2% charged on the disbursed balance and commitment charges of 0.50% charged on the undisbursed amount, while ADB loans are negotiated at market rates-current LIBOR plus fixed spread of 0.5%, currently the LIBOR rates are on the decline which means that ADB loans cost around 0.7%.

The National Economic Council (NEC) allowed all provinces to raise domestic debt and issue subnational bonds or issue guarantee up to 0.5% of national GDP (subsequently increased to 0.85% of national GDP). Consequently, by granting domestic borrowing powers to all provinces have given more choices and flexibility to accelerate the economic development of the provinces.

In accordance with Article 167(4) of the Constitution, inserted by 18th Amendment, the National Economic Council (NEC) has allowed the provinces to directly raise domestic debt up to 0.85% of the national GDP. This overall limit has been distributed among the provinces according to their share in the NFC (National Finance Commission) formula. Thus, domestically Government of Khyber Pakhtunkhwa can borrow domestically, provide guarantees or issue subnational bond up to the limit of Rs. 44bn.

Currently, domestic portfolio of KP is zero. However, KP Government has borrowed previously through Cash Development Loans (CDLs) provided by the Federal Government. However, the Government of KP does have an intention to borrow domestically through issuance of sub-national bonds.



## 2. KP Debt Portfolio

Rs. In million

Description	Outstanding	Principal	Disbursements	Outstanding
-	as of June 30, 2020	July 1 - December 31, 2020	July 1, - December 31, 2020	as of December 31, 2020
Foreign Loans	261,349	(5,286)	12,627	268,690

## 3. External Debt Disbursements

The increase in direct external debt is mainly driven by high disbursements made for development project, which in total added Rs. 12,627 million to the direct external Disbursed and Outstanding balance during this period.

Disbursements during 6 months period i.e. from July 1, 2020 till December 31, 2020 is on account of the following loans:

S. No	Projects	Sectors	Rs. In million
1	IDA-6421 KP Revenue Mobilization & Public Resource Management	Governance	2,174
2	IDA-6456: KP Irrigated Agriculture Project:	Irrigation	2,927
3	IDA-6462: KP Integrated Tourism Development Project:	Tourism	1,231
4	ADB-3470 Pehur High level Canal Ext. Project	Irrigation	68
5	ADB-3543: Bus Rapid Transit Peshawar Project:	Transport & Communication	477
6	PK-62 KP Emergency Road Rehabilitation Project	Transport & Communication	5,750
<b>Total</b>			<b>12,627</b>



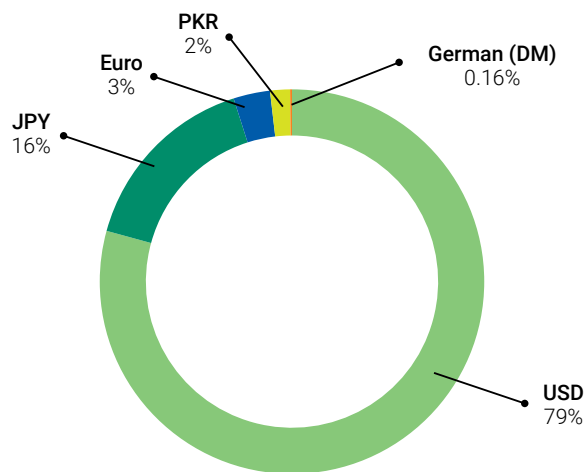


## 4. Currency Composition of Debt Stock as of December 31, 2020

Rs. In million

Currency	No of Loans	Outstanding (FC)	Conversion Rate Rs/FC	Outstanding (Rs)	%
USD	88	1,291	165	212,943	79.25%
JPY	3	25,901	1.643	42,547	15.84%
Euro	1	43	193.13	8,278	3.08%
PKR	1	4,498	1	4,498	1.67%
German (DM)	2	4	98.677	424	0.16%
<b>Foreign Loans</b>	<b>95</b>	<b>-</b>	<b>-</b>	<b>268,690</b>	<b>100%</b>

% Share of Each Currency



The share of USD-denominated debt (79.25%) remained dominant in the external debt portfolio, followed by JPY-denominated debt (15.84%) and Euro denominated debt (3.08%) as at end December 2020.



## 5. Currency Wise Debt Composition by Interest Type (Half Yearly)

Rs. In million

Currency	Fixed	Floating	Total	Fixed	Floating
USD	626	596	1,222	51%	49%
JPY	1	45	46	3%	97%
Euro	-	6	6	0%	100%
PKR	17	-	17	100%	0%
German	2	-	2	100%	0%
Total	646	646	1,292		
<b>Total</b>	<b>50%</b>	<b>50%</b>	<b>100%</b>		

## 6. Creditor Wise Debt Composition by Interest Type (Half Yearly)

Rs. In million

Creditors	Fixed Interest	Floating Interest	Total Interest	Fixed Interest %	Floating Interest %
ADB	249	641	889	28%	72%
IDA	389	0	389	100%	0%
JICA	1	0	1	100%	0%
AFD	0	6	6	0%	100%
IFAD	4	0	4	100%	0%
Germany	2	0	2	100%	0%
IBRD	0	0	0	100%	0%
Total	646	646	1,292	-	-
<b>Total %</b>	<b>50%</b>	<b>50%</b>	<b>-</b>	<b>-</b>	<b>-</b>

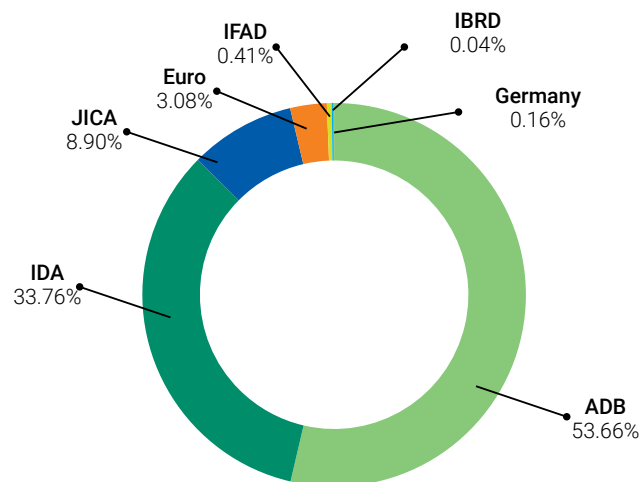


## 7. Disbursements during July 1, 2020 till December 31, 2020: Composition by Creditors

Rs. In million

Creditors	Outstanding June 30, 2020	Disbursements	Principal	Interest	Outstanding Dec 31, 2020	Outstanding %
ADB	147,119	545	3,494	889	144,169	53.7%
IDA	86,103	6,332	1,738	389	90,697	33.8%
JICA	18,158	5,750	0	1	23,908	8.9%
AFD	8,278	0	0	6	8,278	3.1%
IFAD	1,138	0	29	4	1,109	0.4%
Germany	440	0	16	2	424	0.2%
IBRD	114	0	9	0.4	104	0.0%
<b>Total</b>	<b>261,349</b>	<b>12,627</b>	<b>5,286</b>	<b>1,292</b>	<b>268,690</b>	<b>100%</b>

Outstanding Liability  
December 31, 2020





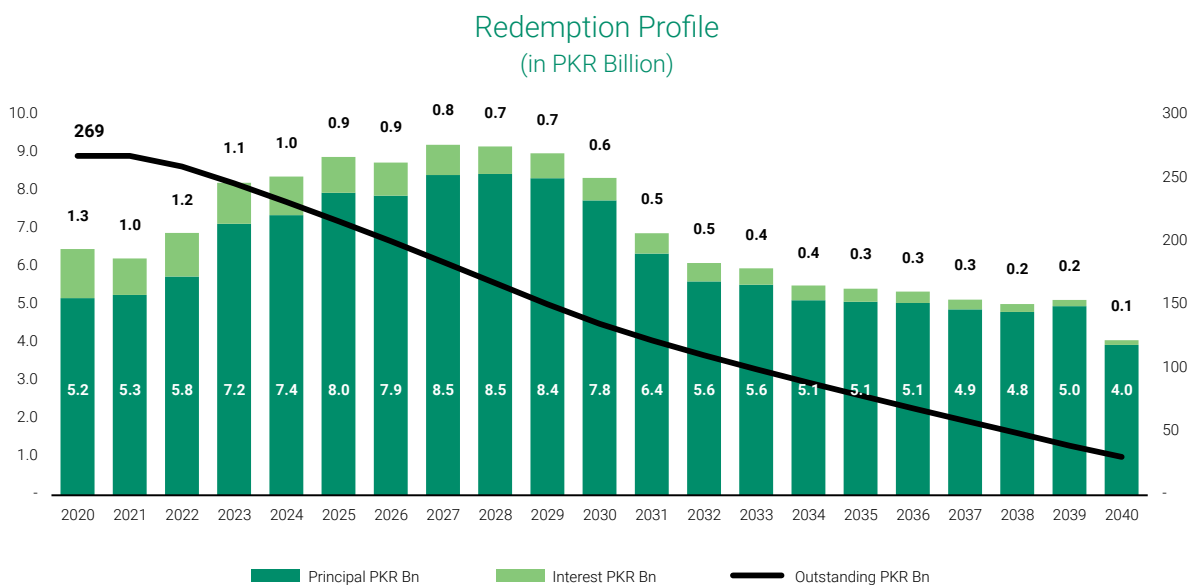
## 8. Debt Servicing

Rs. In million

July 1, 2020 till December 31, 2020			July 1, 2020 till June 30, 2021	
Currencies	Principal	Interest	Principal (Annual)	Interest (Annual)
USD	4,606	1,222	8,992	2,172
PKR	71	17	143	34
German	16	2	33	3
Yen	593	46	1,545	85
Euro	0	6	0	5
<b>Total</b>	<b>5,286</b>	<b>1,292</b>	<b>10,713</b>	<b>2,299</b>

## 9. Redemption Profile

This redemption profile is based on the outstanding loan balances as of December 31, 2020 and Budget Estimates Exchange rates of 2019-20, and it represents the principal and interest payments made half yearly over the years.





## 10. Risk Indicators

Rs. In million

Risk Indicators		As at December 31, 2020
<b>Outstanding Loan Stock to KP Revenues<sup>1</sup></b>		59%
<b>Debt Service to KP Revenues</b>		1.43%
<b>Cost of Debt</b>	Weighted Average Interest Rate (Range)	1.75%-2.5%
<b>Refinancing Risk</b>	ATM (Years)	10.51
	Loan Maturing in 1 Year as % of total debt	9.92%
<b>Interest Rate Risk</b>	ATR (years)	5.98
	Loan refixing in 1 Year (as % of total loan)	44.52%
	Fixed rate loan (as % of total loan)	50%
<b>Foreign Exchange Risks</b>	Foreign exchange loan (as a % of total loan)	98.3%

## 11. Sector Wise Composition of Outstanding Debt Stock as on December 31, 2020

Rs. In million

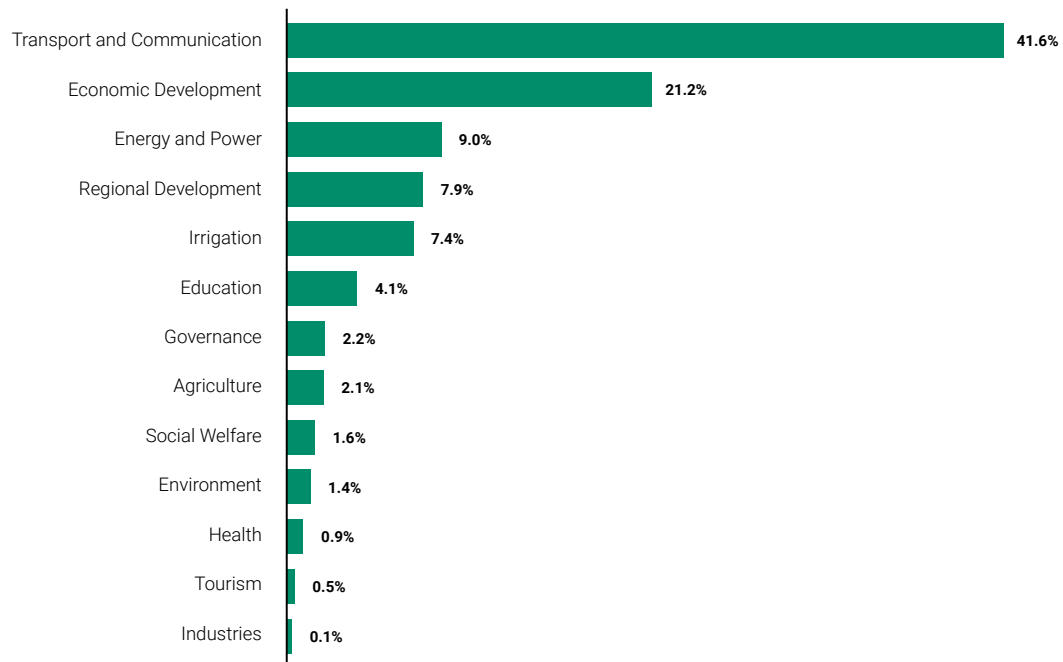
S. No	Sectors	Outstanding Loan Stock	Percentage
1	Transport and Communication	111,900	41.6%
2	Economic Development	56,945	21.2%
3	Energy & Power	24,115	9.0%
4	Regional Development	21,250	7.9%
5	Irrigation	19,751	7.4%
6	Education	10,953	4.1%

<sup>1</sup> Straight Transfers + Federal Tax Assignments + Royalties on Oil and Gas + Net Hydel Profit + Own Receipts (Tax & Non-Tax) + others



S. No	Sectors	Outstanding Loan Stock	Percentage
7	Governance	5,983	2.2%
8	Agriculture	5,764	2.1%
9	Social Welfare	4,334	1.6%
10	Environment	3,695	1.4%
11	Health	2,500	0.9%
12	Tourism	1,231	0.5%
13	Industries	269	0.1%
<b>Total</b>		<b>268,690</b>	<b>100%</b>

## Sector Wise Composition of Outstanding Debt Stock as at December 31, 2020





## 12. Ratio Analysis

Rs. In million

Description	Actuals June 30, 2020	Budget Estimates June 30, 2021
	2019-2020	2020-2021
KP Revenues	459,459	477,519
KP Own Source Receipts <sup>2</sup>	42,260	49,234
Disbursed & Outstanding Loans	261,349	290,000
Interest Payments-Annual	2,180	2,203
Principal Repayments-Annual	9,926	10,635
<b>Total Debt Servicing (Principal + Interest)</b>	<b>12,106</b>	<b>12,838</b>
Total Outstanding Loan to Revenues	57%	61%
Total Debt service as % of Revenues	2.63%	2.69%
Debt servicing as % of KP own Receipts	28.65%	26.08%
Weighted Average Interest Rate %	0.96%	0.84%

<sup>2</sup>KP Tax Receipts + Non Tax Receipts + others



## 13. Loans in Pipeline

						Rs. In million
S. No	Description	Projects	Currency	FC	Rs.	
1	IDA-6590	Pandemic response effectiveness in Pakistan	USD	5	825	
2	IDA-6872	Spending Efficiently for Enhanced Development	USD	400	66,000	
3	IDA-6270	KP Economic Corridor (KPEC)	USD	460	75,900	
4	IDA-6714	KP Human Capital Investment Project	USD	137.5	22,688	
5	IDA-6779	KP Hydropower and Renewable Energy Development Project	USD	250	41,250	
6	IBRD-9164	KP Hydropower and Renewable Energy Development Project	USD	200	33,000	
7	ADB-4057	Balakot Hydropower Project	USD	580	95,700	
8	ADB	KP Health Systems Strengthening	USD	100	16,500	
9	Italy	i) Kurran Tangi Keitu Wier & ii) Construction of Heritage Field School	Euros	18.5	3,571	
10	IFAD	Rural Economic Transformation Project	USD	100	16,500	
<b>Total</b>					<b>371,933</b>	





## 14. Glossary

<b>AFD</b>	The French Development Agency (French: Agence française de développement, AFD) is a public financial institution that implements the policy defined by the French Government.
<b>ATM</b>	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.
<b>ATR</b>	A measure of weighted average time until all principal repayments in the portfolio
<b>Bilateral Agencies</b>	A bilateral organization is a government agency or nonprofit organization that receives funding from its home country's government to then be used toward a developing country.
<b>Capitalization of Interest</b>	Interest charged but not paid becomes part of the loan principal amount. It increases the amount of loan
<b>Debt to Revenue</b>	The ratio of outstanding debt to Revenue measure the burden of debt on the Provincial Revenues
<b>Disbursed and Outstanding</b>	Disbursed and Outstanding: Total amount which has been disbursed and which is due to be repaid.
<b>Disbursements</b>	Resources, such as goods, services, or funds, taken by the borrower against a debt agreement
<b>DM</b>	The deutschemark (or "D-mark") was the official currency of the Federal Republic of Germany until 2002. First issued in 1948, it was legal tender in West Germany, and later, the unified German state until the final adoption of the euro (EUR) in 2002. The official currency code was DEM on forex markets.



<b>LIBOR</b>	LIBOR stands for London Inter Bank Offered Rate. LIBOR is an indicative average interest rate at which a selection of banks (the panel banks) are prepared to lend one another unsecured funds on the London money market.
<b>Multilateral Agencies</b>	Multilateral sources include international institutions such as Asian Development Bank (ADB), International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), International Fund for Agriculture Development (IFAD), European Union (EU), European Investment Bank (EIB), Islamic Development Bank (IDB), Nordic Development Fund (NDF), Nordic Investment Bank (NIB), and Organization of Petroleum Exporting Countries (OPEC) Fund.
<b>On lent Debts</b>	Debts that are borrowed by Federal government and then re-lent to a Provincial entity.
<b>Refinancing Risk</b>	The possibility that a borrower cannot refinance its debt by borrowing to repay existing debt.
<b>Weighted Average Interest Rate (WAIR)</b>	The weighted average level of interest rates on outstanding debts. The weight to be used is determined by the value of the debt as a percentage of the total outstanding amount.



For more information and feedback:



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