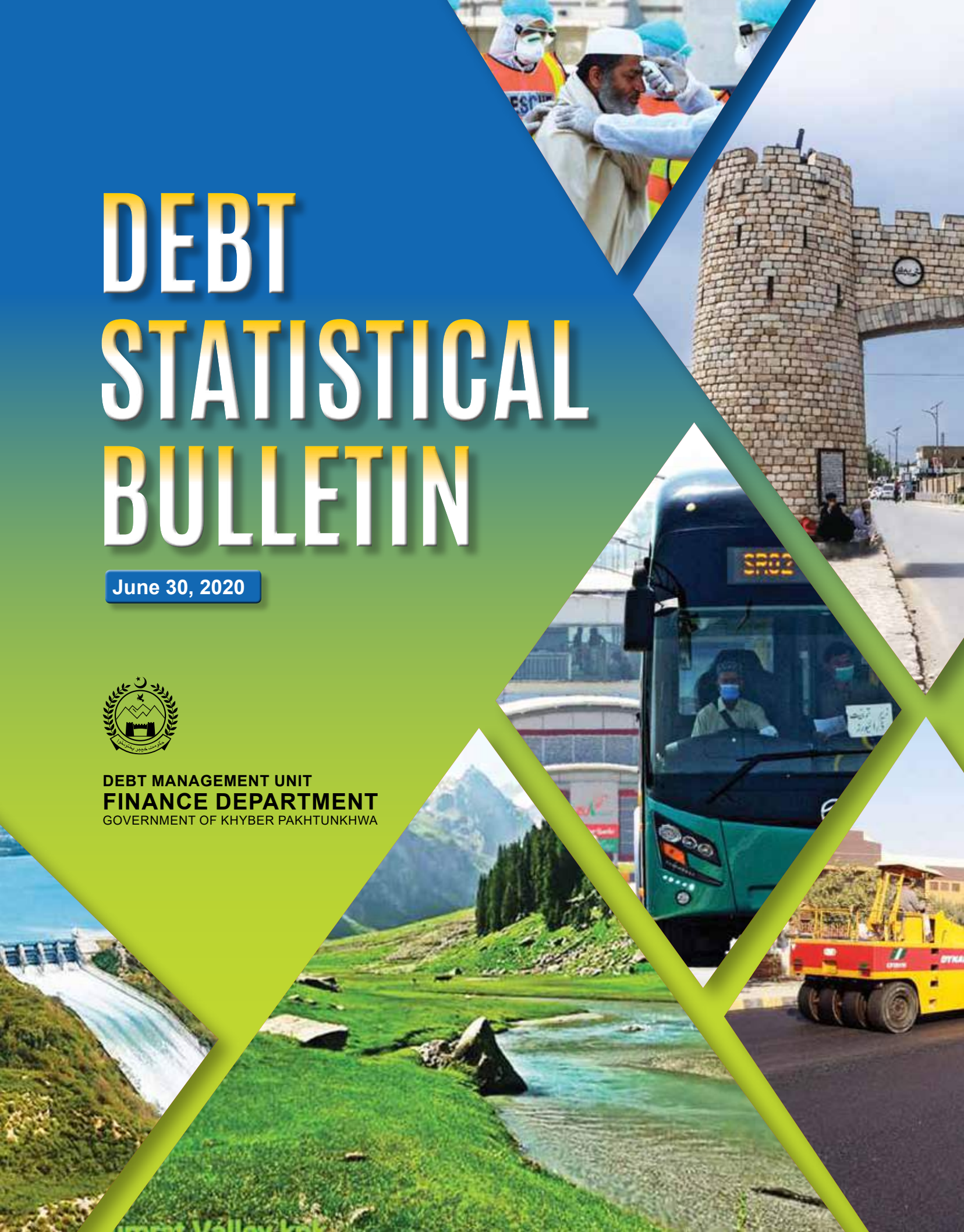


# DEBT STATISTICAL BULLETIN

June 30, 2020



DEBT MANAGEMENT UNIT  
FINANCE DEPARTMENT  
GOVERNMENT OF KHYBER PAKHTUNKHWA





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## ABBREVIATIONS

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



# 1. INTRODUCTION

As of June 30, 2020, the provincial government outstanding debt is around Rs. 261 billion comprises of foreign currency loans having currently zero domestic loans. These foreign debts 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 to be borne by the provincial government's budget through at source deduction from the monthly revenue share of Government of KP, received from the federal government.

By the end of FY 2019-20, GoKP's loan portfolio consists of 96 foreign loans for projects / programs mainly from multilateral and bilateral lender agency. Presently, there are 13 Active loans for various projects / programs, meaning that disbursements of these projects / programs are in process and another 10 projects / programs, which are in pipeline (loans agreements are expected to be signed soon). Going forward, 05 projects will be matured in next 3-years' time i.e. from 2019-2024.

The total outstanding debt to revenue receipts is 57% of the provincial revenue as on June 2020. Provincial revenue includes federal transfers, own resources and Royalties on Oil and Gas and NHP Payments etc. During the year, total debt servicing paid by the provincial government is approximately Rs. 12.1 billion, which is 2.63% of provincial revenue, whereas the principal repayment is Rs. 9.9 billion and the interest payment is Rs 2.1 billion.

Important lenders (donors) are the Asian Development Bank (ADB) and World Bank Group-International Development Association (IDA). Most of these loans are highly concessional or concessional with 5 to 10 years' grace period and interest rates in the ranges of 0.75% to 1.5% per year

The principal repayment is spread over the repayment period on expiry of grace period. Repayment is evenly spread over the repayment time or, stepped up with higher repayment share towards the maturity date of the debt. The repayment schedule is described in the Loan Agreement, which is necessary to revert to for the creation of the amortization profile. Some of the loans capitalizes interest during the grace period.

In recent years, more and more debt agreements, especially with ADB are concluded or will be signed with a floating interest rate, notably 6-month USD Libor + 0.50% per year. The Libor rate is currently 0.25097% per year reduced from 2.9% per year, in the aftermath of the Covid-19.

The objective of the debt bulletin is to provide updated information about KP loan portfolio to the stakeholders and public at large as it entails details about total outstanding debts, debt servicing, redemption profile, active projects / programs in the province which are financed through loans / debts.



## 2. KP DEBT PORTFOLIO

DESCRIPTION	OUTSTANDING LIABILITY	PRINCIPAL REPAYMENTS (OUTFLOWS)	ADDITIONS/ DISBURSEMENTS (INFLOWS)	OUTSTANDING LIABILITY	% GROWTH
-	30th June 2019	2019-20	2019-20	30th June 2020	-
Foreign Debts (Rs. Million)	227,418	(9,926)	18,254	261,333	15%
Exchange rate Rs/USD	150	156	156	165	10.0%
USD Million	1,516	(64)	117	1,584	8%

There has been a Net increase of 15% in KP Debt portfolio during the Financial Year 2019-20, this is attributable to:

Disbursement in Active Debts **Rs 18,254 million** and Principal Repayments of **Rs 9,926 million** during the Financial Year 2019-20.

Local Currency (PKR) depreciation of 10% against USD (from 150 to 165), which has an impact of **RS 25,587 million** on the outstanding debt portfolio.

The currency conversion parity rates are communicated once in the year to all provinces by the Ministry of Economic Affairs, Islamabad.

### Disclaimer

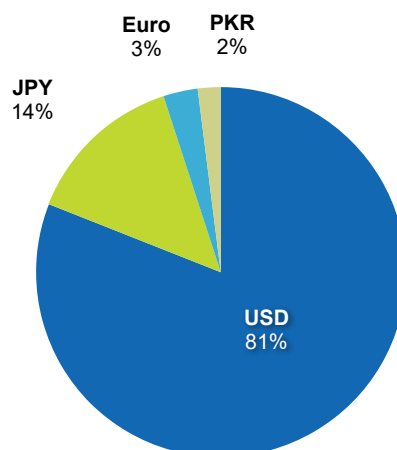
The outstanding amounts as on 30th June 2019 and 2020 reported in Debt Statistical Bulletin does not match the figures reported in KP Budget book i.e. White Paper of respective year. This is due to the fact that the White paper figures gets published before the close of Financial year, whereas the actual outstanding figures of various debt projects are finalized after the close of Financial Year.



### 3. CURRENCY COMPOSITION OF DEBT STOCK

CURRENCIES	NO OF DEBTS	OUTSTANDING LIABILITY (FC)	CONVERSION RATE Rs/FC	OUTSTANDING LIABILITY (Rs)	PERCENTAGE
USD	89	1,288	165	212,502	81.31%
JPY	3	22,761	1.643	37,390	14.31%
Euro	1	33	193.13	6,432	2.46%
RS	1	4,569	1	4,569	1.75%
DM	2	4	98.677	440	0.17%
<b>Total</b>	<b>96</b>	<b>-</b>	<b>-</b>	<b>261,333</b>	<b>100%</b>

**% SHARE OF EACH CURRENCY**



The majority of foreign loans are denominated in US Dollars followed by Japanese Yen and Euro.

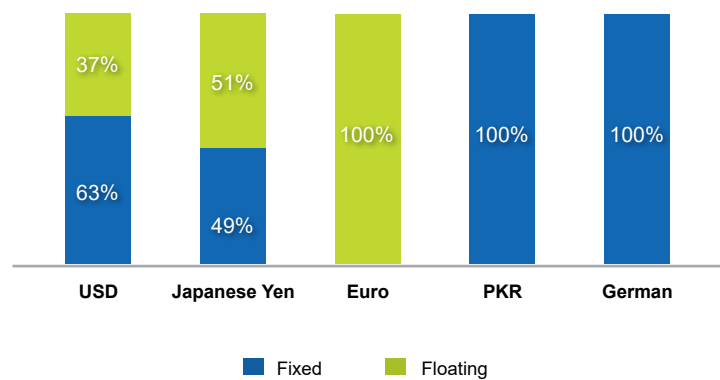


## 4. DEBT COMPOSITION BY INTEREST TYPE

Rupees in million

CURRENCIES	FIXED	FLOATING	TOTAL	FIXED	FLOATING
USD	133,336	79,166	212,502	63%	37%
Japanese Yen	18,158	19,232	37,390	49%	51%
Euro	-	6,432	6,432	0%	100%
RS	4,569	-	4,569	100%	0%
DM	440	-	440	100%	0%
<b>Total (Rs. Million)</b>	<b>156,503</b>	<b>104,830</b>	<b>261,333</b>		
<b>Total %</b>	<b>60%</b>	<b>40%</b>	<b>100%</b>		

CURRENCY WISE-FIXED / FLOATING





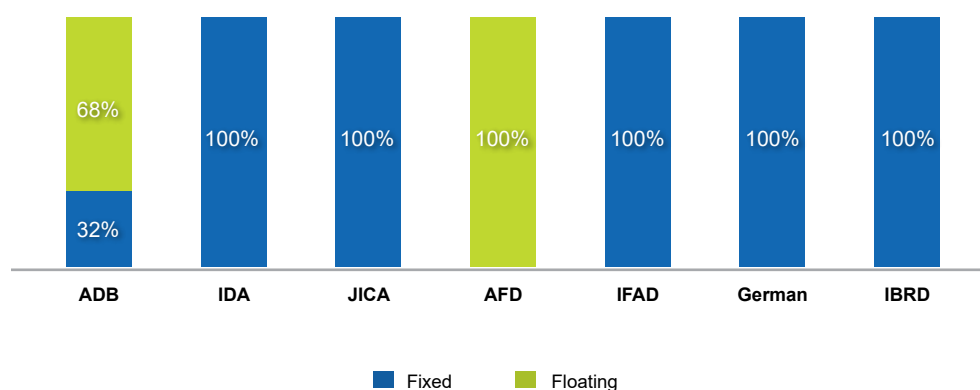


## 5. CREDITOR WISE DEBT COMPOSITION BY INTEREST TYPE

Rupees in million

CREDITORS	FIXED	FLOATING	TOTAL	FIXED	FLOATING
ADB	46,363	98,398	144,761	32%	68%
IDA	90,290	0	90,290	100%	0%
JICA	18,158	0	18,158	100%	0%
AFD	0	6,432	6,432	0%	100%
IFAD	1,138	0	1,138	100%	0%
DM	440	0	440	100%	0%
IBRD	114	0	114	100%	0%
<b>Total</b>	<b>156,503</b>	<b>104,830</b>	<b>261,333</b>		
<b>Total %</b>	<b>60%</b>	<b>40%</b>			

CREDITOR WISE-FIXED / FLOATING





## 6. DISBURSEMENTS (ADDITIONS) TO THE DEBT PORTFOLIO: COMPOSITION BY CREDITORS

Rupees in million

CREDITORS	OUTSTANDING LIABILITY ON 30TH JUNE 2019	PRINCIPAL REPAYMENTS	INTEREST PAYMENTS	OUTSTANDING LIABILITY ON 30TH JUNE 2020	ADDITIONS DURING 2019-20	OUTSTANDING %
ADB	126,729	6,529	1,444	144,761	10,258	55.4%
IDA	78,401	3,294	642	90,290	7,996	34.5%
JICA	14,877	0	2	18,158	0	6.9%
AFD	5,795	0	78	6,432	0	2.5%
IBRD	121	18	0.9	114	0	0.04%
IFAD	1,087	54	9	1,138	0	0.4%
Germany	408	30	3	440	0	0.2%
<b>Total</b>	<b>227,418</b>	<b>9,926</b>	<b>2,180</b>	<b>261,333</b>	<b>18,254</b>	<b>100%</b>

## 7. Cost of debt: Composition by Creditors

Rupees in million

CREDITORS	EFFECTIVE INTEREST RATE	NO. OF FIXED LOANS	NO. OF VARIABLE LOANS	FIXED	FLOATING	TOTAL
ADB	1.14%	40	9	46,363	98,398	144,761
IDA	0.82%	39	0	90,290	-	90,290
JICA	0.02%	1	0	18,158	-	18,158
IFAD	1.35%	3	0	1,138	-	1,138
Germany	0.75%	2	0	440	-	440
IBRD	0.79%	1	0	114	-	114
AFD	0.81%	0	1	-	6,432	6,432
<b>Total</b>	<b>-</b>	<b>86</b>	<b>10</b>	<b>156,503</b>	<b>104,830</b>	<b>261,333</b>
<b>Total %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60%</b>	<b>40%</b>	<b>-</b>



## 8. DEBT SERVICING (PRINCIPAL AND INTEREST FY 2019-20)

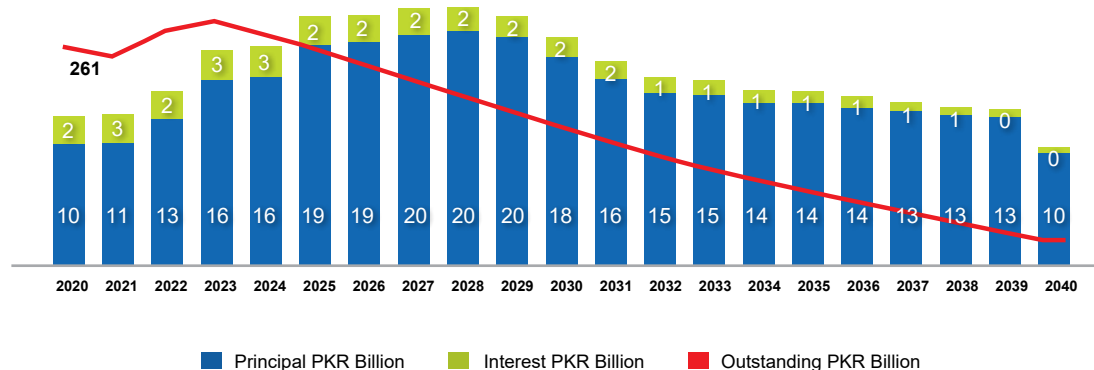
Rupees in million

CURRENCIES	COUNT	EXCHANGE RATE	PRINCIPAL REPAYMENT	INTEREST
USD	89	165	8,711	1,951
RS	1	1	143	35
German	2	99	30	3
Yen	3	2	1,042	113
Euro	1	193	0	78
<b>Total</b>	<b>96</b>		<b>9,926</b>	<b>2,180</b>

Debt Servicing (Principal Repayments & Interest) of Foreign Debt are deducted at source by the Federal Government from the Revenue share of KP Government and reconciliation of these figures carried out annually with Ministry of Economic Affairs.

## 9. Redemption profile

REDEMPTION PROFILE (IN Rs. BILLION)





## 10. RISK INDICATORS

Rupees in million

RISK INDICATORS		AS ON 30TH JUNE 2020
Outstanding Debt Stock Rs. billion		261
Outstanding Debt Stock to KP Revenue Receipts		56.9%
Debt Service KP Revenue Receipts		2.63%
Cost of Debt	Weight Average Interest Rate (Range)	1.75%-2.5%
Refinancing Risk	ATM (Years)	10.51
	Debt Maturing in 1 Year as % of total debt	4.07%
Interest Rate Risk	ATR (years)	5.98
	Debt Refixing in 1 Year (as % of total debt)	44.52%
	Fixed rate debt (as % of total debt)	60%
FX Risks	Foreign exchange debt (as a % of total debt)	98.3%

### KP REVENUE RECEIPTS ARE TAKEN AS SUM OF:

- ↳ Straight Transfers;
- ↳ Federal Tax Assignments;
- ↳ Royalties on Oil and Gas;
- ↳ Net Hydel Profits;
- ↳ KP Own Receipts (Tax & Non-Tax);
- ↳ others



**REFINANCING RISK** is the risk that debt will have to be rolled over at unusually high cost, or, cannot be rolled over at all. This risk is low as 10% of the total debt portfolio is set to mature within the next 12 months and the Government faces the need to seek favorable alternatives to refinance this amount.

**INTEREST RATE RISK** is the risk of increases in the cost of the debt arising from changes in interest rates over the period. Fixed rate debt is 60% of the total debt portfolio, which means that there is a risk for the variable rate portion of the debt if the interest cost could increase further in future.

The Average USD 6 months LIBOR for the period 1 July 2019 till 30th June 2020 was 1.57%. The floating rate debts are negotiated at LIBOR+ spread of 0.5%, which means that during the period, the cost floating rate loans was around 2.07% compared to the fixed rate of 2%.

The Average JPY 6 months LIBOR for the period was around -0.02044 + spread of 0.5% costed around 0.4795% only compared to fixed cost of 2% per year

The Average Euro 6 months LIBOR for the period was around -0.34592 + spread of 0.52% costed around 0.174082% only compared to fixed cost of 2%.

**EXCHANGE RATE RISK** is the risk of increased costs due to exchange rate fluctuations.

Currently, 98% of the debt is denominated in foreign currency which increase the exposure to exchange rate risk as well as interest rate risk. Statistically and historically, there has been on average an annual of 7% depreciation in local rupee against US dollar. However, during the current FY 2019-20, the rupee depreciation against US dollar is around 10%.

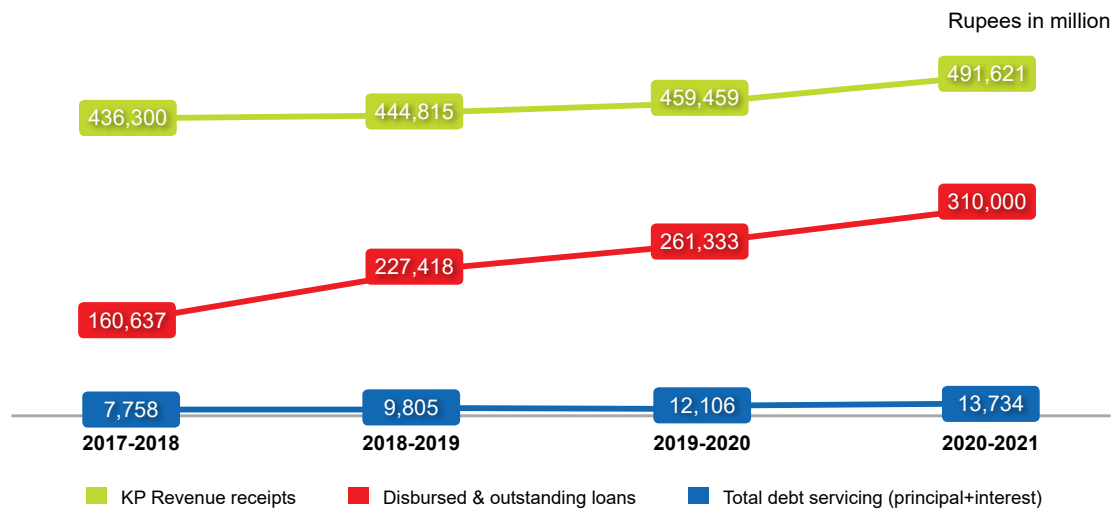
## 11. DEBT INDICATORS AND RATIO ANALYSIS

Rupees in million

	ACTUALS	ACTUALS	ACTUALS	BUDGET ESTIMATES
Description	2017-18	2018-19	2019-20	2020-21
KP Revenue Receipts	436,300	444,815	459,459	491,621
Disbursed & Outstanding Debts	160,637	227,418	261,333	310,000
Interest Payments	1,039	1,208	2,180	3,100
Principal Repayments	6,719	8,597	9,926	10,634
<b>Total Debt Servicing (Principal + Interest)</b>	<b>7,758</b>	<b>9,805</b>	<b>12,106</b>	<b>13,734</b>
Fiscal Indicators				
Total Outstanding Debt to Revenue Receipts	37%	51%	57%	63%
Total Debt service to Revenue Receipts	1.78%	2.20%	2.63%	2.79%
Interest payment as % age of Revenue Receipts	0.24%	0.27%	0.47%	0.63%
Weighted Average Interest Rate %	0.71%	0.75%	0.96%	1.19%



## 12. KP'S REVENUE VIS-A'-VIS FOREIGN DEBT GROWTH OVER LAST 3-YEARS



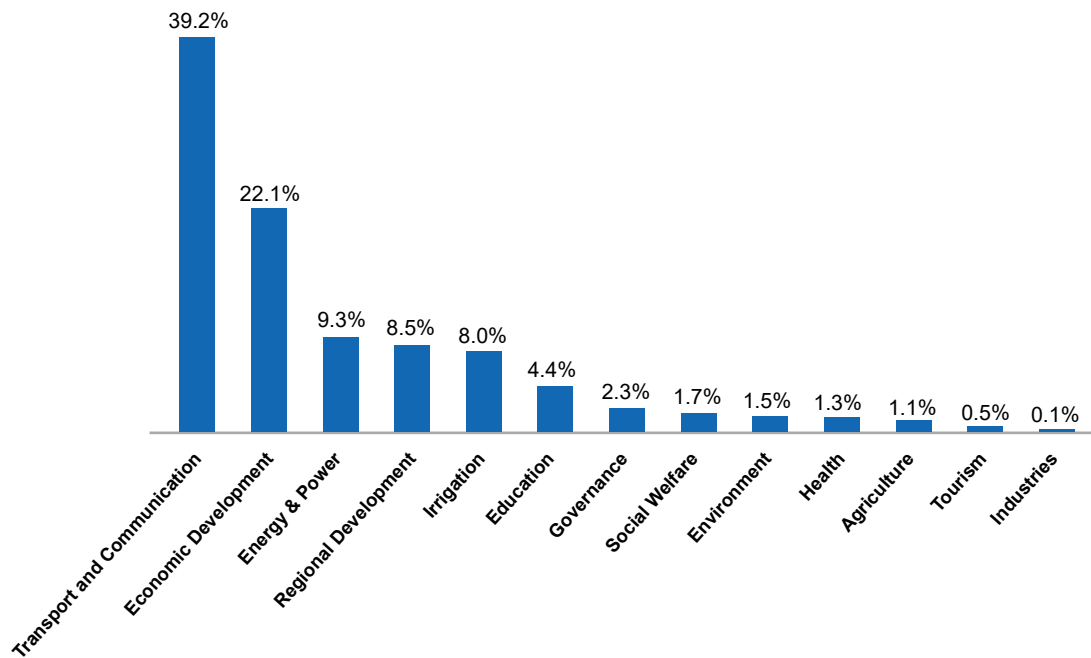
## 13. SECTOR WISE COMPOSITION OF OUTSTANDING DEBT STOCK (30th June 2020)

Rupees in million

SECTORS	OUTSTANDING DEBT STOCK	PERCENTAGE SHARE
Transport and Communication	102,378	39.2%
Economic Development	57,764	22.1%
Energy & Power	24,312	9.3%
Regional Development	22,186	8.5%
Irrigation	20,795	8.0%
Education	11,536	4.4%
Governance	5,940	2.3%
Social Welfare	4,545	1.7%
Environment	3,884	1.5%
Health	3,489	1.3%
Agriculture	2,995	1.1%
Tourism	1,231	0.5%
Industries	278	0.1%
<b>Total</b>	<b>261,333</b>	<b>100%</b>



**SECTOR WISE COMPOSITION OF OUTSTANDING DEBT STOCK  
AS ON 30TH JUNE 2020**



## 14. CONTINGENT LIABILITIES

Currently the KP Government has not issued any guarantees on its behalf to any public sector entities and autonomous bodies.



## 15. ACTIVE LOANS

S/N	ACTIVE LOANS	PROJECTS	SIGNING DATE	CURRENCY	INTEREST RATE	TOTAL COMMITMENT FC IN BILLION	DOD FC IN BILLION
1	ADB-3470-Pak	Pehur High level Canal Ext.	9-Jun-17	USD	LIBOR+0.5%	86.4	17.33
2	ADB-3543-Pak	Peshawar Sustainable Bus Rapid Transit	12-Dec-17	USD	LIBOR+0.5%	335.0	295.00
3	ADB-3476-Pak	Access to Energy	7-Dec-17	USD	LIBOR+0.5%	223.3	140.74
4	ADB-3601-Pak	Khyber Pakhtunkhwa Provincial Roads Improvement	14-Mar-18	USD	LIBOR+0.5%	121.5	40.81
5	ADB-3602-Pak	Khyber Pakhtunkhwa Provincial Roads Improvement	14-Mar-18	USD	LIBOR+0.5%	18.5	17.44
6	AFD-BRT	credit facility agreement with French Development Agency (AFD) for BRT	22-Jan-19	Euro	LIBOR+0.52%	130.0	42.00
7	ADB-3756-Pak	Additional financing for Khyber Pakhtunkhwa Provincial Roads Improvement Project-Dualization of Mardan Swabi Road	26-Feb-19	USD	LIBOR+0.5%	75.0	8.92





S/N	ACTIVE LOANS	PROJECTS	SIGNING DATE	CURRENCY	INTEREST RATE	TOTAL COMMITMENT FC IN BILLION	DOD FC IN BILLION
8	ADB-6015-Pak	Khyber Pakhtunkhwa Cities Improvement Project-Project Readiness Financing	29-Mar-19	USD	LIBOR+0.5%	7.0	0.78
9	IDA 6421	Khyber Pakhtunkhwa Revenue Mobilization and Public Resource Management Program	17-Jun-19	SDR	2%	85.0	25.79
10	IDA 6462	KITE-KP Integrated Tourism Development Project	26-Nov-19	USD	2%	70.0	7.46
11	IDA 6456	KP Irrigated Agriculture Improvement	20-Jun-19	USD	2%	175.0	0.00
12	IDA 6270	Khyber Pass Economic Corridor	13-Dec-19	USD	2%	460.0	0.00
13	IDA 6590	Pandemic response effectiveness in pakistan (Federal loan with KP Share)	1-Apr-20	USD	2%	5.0	5.00



## 16. LOANS IN PIPELINE

S/N	LENDERS	PROJECTS IN PIPELINE
1	ADB-Balakot	Balakot Hydropower Development Project
2	IDA	Khyber Pakhtunkhwa Hydro Power Development Project (IDA) Gabral-Kalam-Madyan
3	IBRD	Khyber Pakhtunkhwa Hydro Power Development Project (IBRD)
4	IDA-KITE-Additional Financing	KP Integrated Tourism Development Project
5	IDA	Khyber Pakhtunkhwa Hydropower and Renewable Energy Development Project (Kalkot Barikot Patrak HPP-47 MW, Gabral Kalam HPP-110 MW and Patrak-Shiringal HPP-22 MW) (IDA Assisted)
6	IDA	Establishment of Citizen Facilitation Centers in Peshawar (IDA Assisted).
7	IDA	F/S & Rehabilitation of Sewerage / Solid Waste Treatment Plants in Peshawar & Divisional Headquarters (IDA Assisted).
8	IDA	Khyber Pakhtunkhwa Cities Digital Transformation Centers (IDA Assisted).
9	MDTF	Slums & Informal Settlements Upgradation Programme in Khyber Pakhtunkhwa (MDTF Assisted).
10	SFD	Gravity Flow Water Supply Scheme, District Mansehra (SFD Assisted).

## 17. List of Loans maturing in next 3-years

MATURING IN 2019-20	PROJECT	SECTOR	SIGNING DATE	RATE OF INTEREST	DONOR	CURRENCY	DEBT AMOUNT
1	Aquaculture Dev: Project	Agriculture	20-Dec-79	1.00%	ADB	USD	\$ 371,345
MATURING IN 2021-22							
1	On-Farm Water Mgt. Project	Agriculture	24-Dec-80	1.00%	ADB	USD	\$ 3,210,000
MATURING IN 2022-23							
1	3rd Health Project	Health	28-Jan-88	1.00%	ADB	USD	\$ 10,743,708
2	Fruit and Vegetable Marketing Project	Agriculture	28-Jun-88	1.00%	ADB	USD	\$ 1,183,482
3	Chasma Right Bank Irrigation Project Stage II	Irrigation	28-Jan-88	1.00%	ADB	USD	\$ 7,834,891



## 18. GLOSSARY

AFD	The French Development Agency (French: Agence française de développement, AFD) is a public financial institution that implements the policy defined by the French Government.
ATM	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.
ATR	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.
Bilateral Agencies	<p>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.</p> <p>Bilateral sources include:</p> <p>I. Paris Club countries: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Israel, Italy, Japan, Netherlands, Norway, Russian Federation, Spain, Sweden, Switzerland, United Kingdom and United States of America.</p> <p>II. Non-Paris Club Countries: Bulgaria, China, Czech Republic, India, Iran, Iraq, Korea, Kuwait, Libya, New Zealand, Poland, Portugal, Qatar, Romania, Russia, Saudi Arabia, South Africa, Thailand, Turkey and United Arab Emirates.</p>
Capitalization of Interest	Interest charged but no paid becomes part of the loan principal amount. It increases the amount of loan
Contingent Liability	The International Accounting Standards Board defines a contingent liability as a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.
Debt to Revenue	The ratio of outstanding debt to Revenue measure the burden of debt on the Provincial Revenues
Disbursed and Outstanding	Disbursed and Outstanding: Total amount which has been disbursed and which is due to be repaid.



Disbursements	Resources, such as goods, services, or funds, taken by the borrower against a debt agreement
DM	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.
LIBOR	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.
Multilateral Agencies	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.
On lent Debts	Debts that are borrowed by Federal government and then re-lent to a Provincial entity.
Refinancing Risk	The possibility that a borrower cannot refinance its debt by borrowing to repay existing debt.
Weighted Average Interest Rate (WAIR)	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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