

September 3, 2008

## **SBP extends help to mitigate financial difficulties of Balochistan Government**

Dr Shamshad Akhtar, Governor State Bank of Pakistan has expressed her resolve to mitigate the financial difficulties of the Balochistan Government by offering a financial relief package.

The financial relief package, which will be subject to approval by the Central Board of Directors of the State Bank, was offered by Dr Akhtar during a recent meeting with Nawab Muhammad Aslam Raisani, Chief Minister of Balochistan.

The package aims to provide a breathing space to Balochistan Government by putting its overdraft with the SBP into a blocked account which would be brought to zero within a period of six years by deductions of suitable monthly installments. In order to further facilitate the Balochistan Government, the existing limit of Ways and Means Advance would be enhanced to Rs 2 billion from Rs 1.7 billion.

Dr Akhtar has, however, emphasized that the Balochistan Government can truly reap the benefits of facilitation package if it imposes strict financial discipline and manages its cash inflows from other resources such as royalties etc.

It may be mentioned here that the financial position of the Balochistan Government began to deteriorate since November, 2003. During 2004, in order to provide relief to Balochistan Government, SBP sanctioned various concessions for Balochistan Government but Balochistan Government's measures to reduce its outstanding liabilities fell short of expectations.

During a meeting of SBP Governor with the Chief Minister of Balochistan in April 2008, the Balochistan Government was asked to provide the revised estimates of financial projections, additional amount expected from the Federal Government and additional cash inflows from other sources such as royalty etc.

The Balochistan Government during the meeting of SBP Governor and the CM Balochistan on September 1, 2008 presented its plan to overcome its financial crisis and to reduce the overdraft. Based on the financial projections presented by the Balochistan Government and its commitment to reduce the overdraft with SBP, Dr Akhtar agreed to offer a one-time financial relief package as an exception to the Balochistan Government subject to the approval of the Central Board of Directors of the State Bank of Pakistan.

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