

Annual Borrowing Plan FY24

**Debt Management Office
Finance Division
Government of Pakistan**

Annual Borrowing Plan FY24

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1.0 Introduction

- 1.1 Annual Borrowing Plan (ABP) lays down the borrowing strategy of the government to meet its Gross Financing Needs (GFN) i.e., fiscal deficit and debt maturities. It also provides a baseline on government’s commitment towards fiscal accountability, promoting transparency, disseminating key updates on debt management, and predictability on debt borrowing operations.
- 1.2 Debt Management Office is mandated to prepare the Annual Borrowing Plan as envisaged under Section 13 (2) j of the Fiscal Responsibility and Debt Limitation Act, 2005, as amended from time to time. ABP is traditionally prepared along with the Federal Budget and is published with budget documents.
- 1.3 The objective of this document is to provide an update on borrowing operations and initiatives related to debt management during first half of FY24. It also throws light on the borrowing strategy for the second half of FY24.
- 1.4 Financing numbers for Jan-Jun FY24 are based on several economic and other parameters and may therefore vary depending on the domestic and international macroeconomic and debt market conditions.

2.0 Medium-Term Debt Management Strategy (MTDS) FY23-FY26

- 2.1 ABP is aligned with MTDS which itself is built upon the Medium-Term National Macro Fiscal Framework that aims at ensuring debt sustainability. MTDS reflects the optimum combination of borrowing from various sources keeping in view tradeoff between costs and risks. Following figure describes the strategic guidelines of MTDS:



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3.0 Initiatives related to Debt Management

- 3.1 In order to make debt management operations more competitive and improve transparency in borrowing operations as well as diversify the investors base, government undertook amendments in the Treasury Bills Rules, 1998 and Ijara Sukuk Rules, 2008. These amendments allow government to:
- i. have flexibility of specifying the features (tenor, coupon rate, coupon frequency, repayment of principal etc.) of government securities;
 - ii. follow multiple mechanisms for raising of domestic debt through government securities; and
 - iii. raise debt through other mechanisms e.g. Capital Market Institutions (including Pakistan Stock Exchange (PSX), Central Depository Company (CDC) and National Clearing Company Pakistan Limited (NCCPL)).
- 3.2 Pursuant to these amendments, government carried out maiden auction of 1-year fixed rate Ijara Sukuk on PSX in December 2023. Healthy participation of PKR 478 bn was witnessed against a target of PKR 30 bn. Participation was mostly concentrated from non-banking sector, contributing around 90 percent. This was an important way forward towards development of domestic debt capital markets and will hopefully make the government borrowing more competitive and transparent.
- 3.3 Government implemented a range of reform measures as part of the program loans from the World Bank and the Asian Development Bank. These measures included publication of the National Medium-Term Fiscal Framework, Goods and Services Tax harmonization across federal and provincial jurisdictions, reforms related to debt management, property valuation and energy sector, digitalization of payment system, improved tax administration and compliance, improved quality of public expenditures and cash management, supply of credit for women, development of entrepreneurial capacity of women, and establishing strong institutional capacity for women in public and financial institutions.

4.0 Borrowing activities during Jul-Dec FY24

- 4.1 Government's borrowing operations remained smooth during first half of FY24. Key borrowing activities are given below:
- i. The interest expense was around PKR 4.2 tr, of which 88 percent was interest on domestic debt. Owing to expenditure rationalization measures taken by government, a federal primary surplus of PKR 1.5 tr was posted resulting into a federal fiscal deficit of PKR 2.7 tr.
 - ii. Around 77 percent of the financing of federal fiscal deficit was carried out through domestic sources while 23 percent through external sources.
 - iii. Government retired short-term treasury bills by around PKR 1.0 tr.
 - iv. Gross issuance of fixed rate Pakistan Investment Bonds (PIBs) amounted to PKR 840 bn against maturity of PKR 1.2 tr. Gross issuance of floating rate PIBs amounted to PKR 5.0 tr against repayment of PKR 2.0 tr.
 - v. Gross issuance of Government Ijara Sukuk (GIS) was PKR 1.3 tr whereas there was no maturity against the Shariah compliant instruments.

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- vi. Government successfully raised PKR 30 bn from its first ever Ijara Sukuk auction on the PSX.
- vii. Flows in National Saving Schemes remained subdued.
- viii. External budgetary disbursements were recorded as US\$ 5.4 bn, of which US\$ 2.2 bn was received from multilateral sources, US\$ 2.7 bn from bilateral development partners and US\$ 0.5 bn was recorded as inflow from Naya Pakistan Certificates. External budgetary repayment during the first half of fiscal year amounted US\$ 3.3 bn.
- ix. US\$ 1.0 bn China SAFE deposits and US\$ 3.0 bn Saudi deposits were rolled over for one year in July 2023 and Dec 2023 respectively.
- x. Bilateral debt rearrangement was carried out with Exim Bank of China amounting US\$ 1.2 bn each for FY24 and FY25.
- xi. In addition to above, government also received US\$ 1.2 bn under the IMF's Stand-By Arrangement (SBA) and US\$ 1.0 bn bilateral deposit from UAE for balance of payment support.

5.0 Public debt issuance guidelines

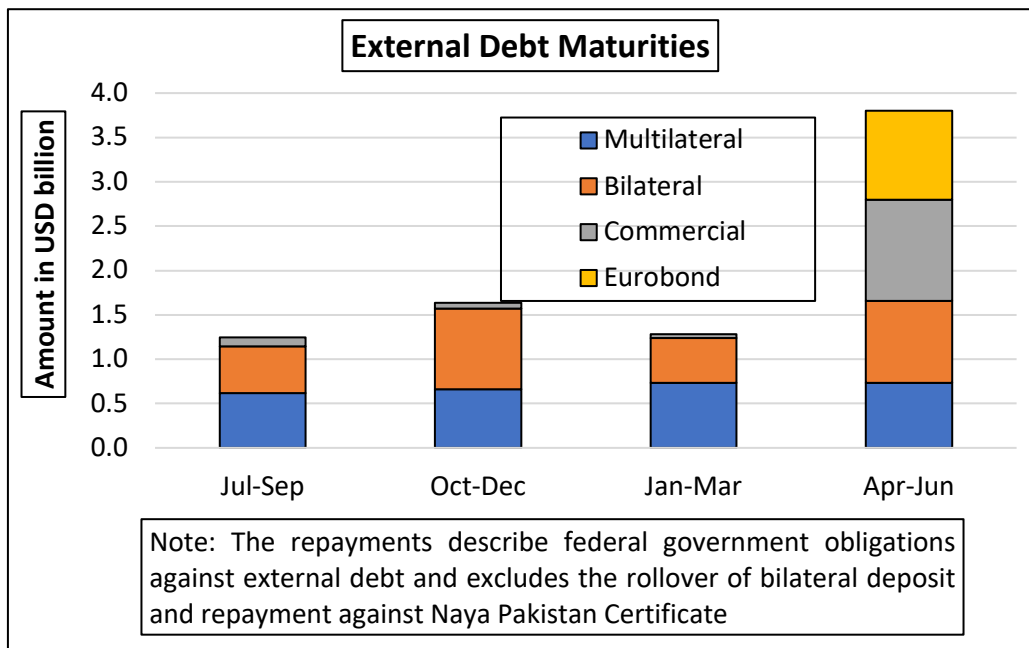
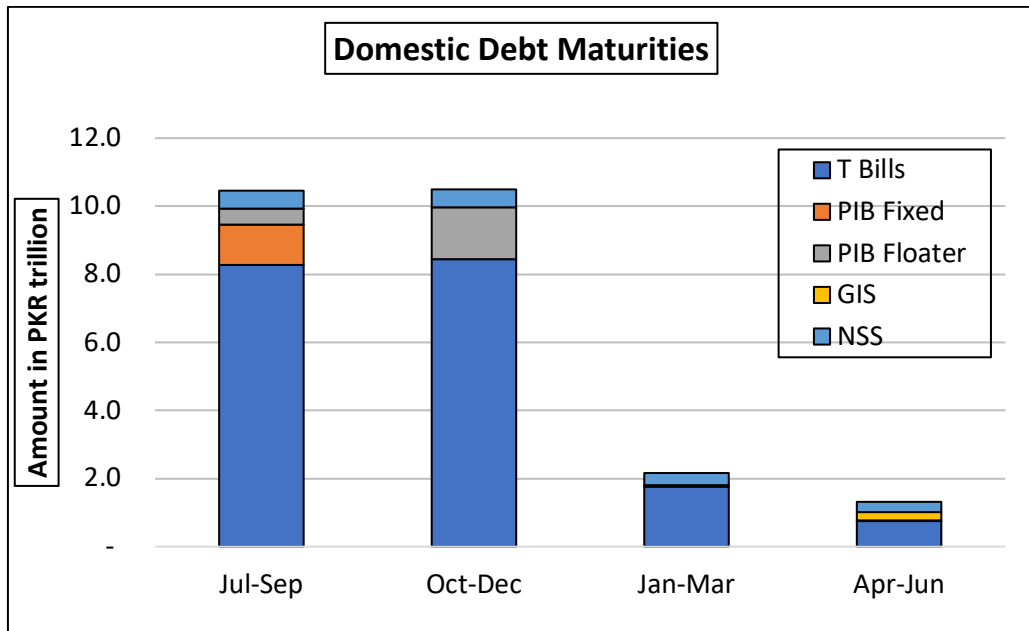
5.1 Following are the guidelines related to the public debt issuance:

- i. Starting from January 2024, the government started issuance of 3-year and 5-year Shariah-compliant Sukuk instruments through the PSX. Issuance of similar instruments through SBP have been discontinued;
- ii. Government will continue to engage with domestic and international investors to improve coordination and information disclosure;
- iii. Government will continue to make efforts for development of non-bank sector especially pension funds, insurance companies, and asset management companies and will continue to promote development of Shariah compliant debt market;
- iv. Government plans to work towards creating an enabling environment for savings through improvements in National Saving Schemes and also make these schemes more cost effective;
- v. The government remains committed to completing actions associated with multilateral program loans, which are in pipeline and are projected to be disbursed during second half of FY24;
- vi. Government stands committed to repay US\$ 1.0 bn Eurobond in April 2024. Issuance in international capital market will be considered once feasible;
- vii. The bilateral deposits are expected to be rolled over during Jan-Jun FY24;
- viii. The government plans to refinance US\$ 1.0 bn foreign commercial bank loan maturing in June 2024. Aim is also to mobilize additional financing from foreign commercial banks; and
- ix. Government is committed to complete IMF's Stand-By Arrangement (SBA) program.

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6.0 Public Debt Maturities and Issuance

6.1 Following graphs describe the domestic and external debt maturities during FY24 (as of end Dec 2023):



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6.2 Following table describes the auction calendar for period Jan – Apr 2024:

Table 1: Issuance Plan/Auction Calendar (amount in PKR bn)						
Month	Instrument	Auction Date	Settlement Date	Govt. Securities maturities	Auction Target	Actual Issuance*
Jan-24	T-Bills	10-Jan	11-Jan	122	100	239
	PIB (Floater)	10-Jan	11-Jan	-	280	167
	PIB (Fixed)	16-Jan	17-Jan	-	190	150
	GIS	23-Jan	24-Jan	-	100	86
	T-Bills	24-Jan	25-Jan	252	225	162
	PIB (Floater)	24-Jan	25-Jan	-	280	281
Feb-24	T-Bills	6-Feb	7-Feb	451	480	
	PIB (Floater)	6-Feb	7-Feb	-	280	
	PIB (Fixed)	14-Feb	15-Feb	-	125	
	GIS	-	20-Feb	6	-	-
	GIS	20-Feb	21-Feb	-	150	
	T-Bills	21-Feb	22-Feb	358	300	
	PIB (Floater)	21-Feb	22-Feb	-	100	
Mar-24	T-Bills	6-Mar	7-Mar	240	225	
	PIB (Floater)	6-Mar	7-Mar	-	100	
	GIS	-	08-Mar	21	-	
	PIB (Fixed)	13-Mar	14-Mar	-	190	-
	GIS	19-Mar	20-Mar	-	150	
	T-Bills	20-Mar	21-Mar	332	225	
	PIB (Floater)	20-Mar	21-Mar	-	100	
Apr-24	T-Bills	3-Apr	4-Apr	111	150	
	PIB (Floater)	3-Apr	4-Apr	-	280	-
	PIB (Fixed)	16-Apr	17-Apr	-	190	
	GIS	-	17-Apr	110	-	
	T-Bills	17-Apr	18-Apr	99	150	
	PIB (Floater)	17-Apr	18-Apr	-	280	
	GIS	23-Apr	24-Apr	-	150	

Note:

- T-Bills: Treasury Bills; PIB: Pakistan Investment Bond; GIS: Government Ijara Sukuk.
- The Auction Calendar is prepared on monthly rolling basis for 3 months therefore, Issuance plan/Auction Calendar for May and June 2024 will be published accordingly.
- *Realized Values.

Source: Debt Management Office, Finance Division

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7.0 Gross Financing Needs FY24

7.1 Below table describes the gross financing needs for FY24:

	In PKR bn	As % of GDP
I+II Gross Financing Needs	25,184	24%
I Federal Fiscal Deficit	8,535	8%
II Debt Maturities	16,649	16%
Domestic	14,223	14%
External	2,426	2%

Note: Domestic maturities incorporate the stock of T-Bills as of end June 2023

Source: Debt Management Office, Finance Division

8.0 Annual Borrowing Plan FY24

8.1 Below table describes the Annual Borrowing Plan for FY24:

	Unit	Jul-Jun
Federal Fiscal Balance	PKR bn	(8,535)
Primary Balance	PKR bn	(202)
Interest Expense	PKR bn	(8,333)
Domestic	PKR bn	(7,335)
External	PKR bn	(998)
Domestic Netflows	PKR bn	7,689
Short-Term (T-Bills, Sukuk)	PKR bn	704
Long-Term (PIBs, Sukuk)	PKR bn	6,977
NSS / Other	PKR bn	8
Domestic Inflows	PKR bn	34,223
Short-Term (T-Bills, Sukuk)	PKR bn	22,350
Long-Term (PIBs, Sukuk)	PKR bn	10,144
NSS / Other	PKR bn	1,729
Domestic Outflows	PKR bn	(26,533)
Short-Term (T-Bills, Sukuk)	PKR bn	(21,646)
Long-Term (PIBs, Sukuk)	PKR bn	(3,168)
NSS / Other	PKR bn	(1,720)
External Netflows	PKR bn	846
Multilateral	PKR bn	642
Bilateral	PKR bn	50
Commercial Sources / Other	PKR bn	154
External Inflows	PKR bn	3,271
Multilateral	PKR bn	1,478
Bilateral	PKR bn	892
Commercial Sources / Other	PKR bn	902

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Table 3: Annual Borrowing Plan FY24

	Unit	Jul-Jun
External Outflows	PKR bn	(2,426)
Multilateral	PKR bn	(836)
Bilateral	PKR bn	(842)
Commercial Sources / Other	PKR bn	(748)
External Netflows	USD mn	3,012
Multilateral	USD mn	2,274
Bilateral	USD mn	250
Commercial Sources / Other	USD mn	488
External Inflows	USD mn	11,380
Multilateral	USD mn	5,150
Bilateral	USD mn	3,162
Commercial Sources / Other	USD mn	3,068
External Outflows	USD mn	(8,367)
Multilateral	USD mn	(2,876)
Bilateral	USD mn	(2,912)
Commercial Sources / Other	USD mn	(2,580)

Note: Above data based on end Dec 2023.

Source: Debt Management Office, Budget Wing (Finance Division), Ministry of Economic Affairs, and State Bank of Pakistan.