DEBT POLICY STATEMENT

January 2023

Debt Management Office
Ministry of Finance

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Finance Secretary
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1.0 Introduction

1.1 Most economies world-wide rely on debt inflows to fulfill the shortfall in available resources to fund the government budget. Likewise, resource-intensive infrastructure projects also remain inseparably contingent on availability of resources. Given the limited financial resources with developing countries like Pakistan, borrowing becomes a necessity to realize development and social welfare goals. Hence, Pakistan has to maintain a delicate balance between the borrowing needs to support its development process while ensuring that level of debt is managed in line with country's repayment capacity. Therefore, debt management strategy has to reconcile national development goals while on the other it has to ensure that optimal financing options are selected in view of cost and risk tradeoffs.

1.2 During FY 2021-22, despite challenging macroeconomic environment, Pakistan's Debt to GDP ratio witnessed a marginal increase of 2 percentage points and stood at 73.5 percent at end-Jun 22 compared with 71.5 percent a year earlier. This was mainly due to adverse exchange rate movement on account of depreciation of Pak Rupee against foreign currencies which stood around 5 percent of GDP. This ratio still remained below the pre-pandemic level of 74.7 percent for Pakistan, contrary to global Debt to GDP levels remaining above the pre-pandemic level[1]. However, it was higher than the threshold of 58 percent to be achieved by FY 2021-22 as stipulated in Fiscal Responsibility and Debt Limitation (FRDL) Act. Government is committed to reduce this ratio on the back of running primary surpluses and promote measures that support higher long-term economic growth. With lower fiscal deficit, public debt is projected to enter a downward path towards envisioned levels.

1.3 Sound practice for public debt management necessitates that debt responsibilities should not be fragmented as it leads to insufficient coordination among various institutions involved, suboptimal borrowing choices, duplication of competencies, and a disconnect with strategy implementation. In Pakistan, there has been a growing realization that effectiveness of debt management function can be enhanced by consolidating debt management functions into single, professionally managed and adequately resourced Debt Management Office. Accordingly, in June 2022, amendments in Fiscal Responsibility and Debt Limitation Act were made. The amendments are mainly focused to assist the government in the following domains:

I. Limit the stock of government guarantees at 10 percent of GDP;

II. Publication of Medium-Term National Macro-Fiscal Framework; and

[1] https://www.imf.org/en/Publications/FM/Issues/2022/10/09/fiscal-monitor-october-22

III. Institutionalize debt management functions in a single office reporting to the Finance Secretary;

Details of FRDLA 2005 amendments 2022 are available on Finance Division Website[2].

1.4 During FY 2021-22 & up to 1st quarter FY 2022-23, following developments were witnessed with respect to debt management, some of them are highlighted below:

- Successful completion of the 7th and 8th review of the IMF Extended Fund Facility (EFF) led to the cumulative disbursement of USD 3.9 billion with balance of USD 2.6 billion. Current EFF has been extended upto June 2023 with increased size of loan from USD 6 billion to USD 7 Billion;
- Government raised around PKR 1.7 trillion through issuance of domestic Sukuk during FY 2021-22 & 1st quarter FY 2023. This has not only helped in raising the Shariah compliant funding at a reasonable cost but has also increased the share of these instruments in government domestic securities portfolio i.e., share of Shariah compliant debt was 8.9 percent in government securities at the end of 1st quarter FY 2023 thus exceeding the target of 7.5 percent set under Medium Term Debt Management Strategy;
- Within domestic debt, the government relied mainly on medium-term domestic debt securities for the financing of its fiscal deficit, in-line with its commitment to reduce the T-bills/GDP Ratio and ultimately the GFN/GDP ratio;
- Within external debt, inflows from multilateral and bilateral development partners remained major sources of funding. Debt from multilateral and bilateral sources cumulatively constituted around 79 percent of the external debt portfolio at end-September 2022;
- Government received US$ 3,000 million deposit from Saudi Arabia which was utilized towards budgetary support;
- Government successfully raised USD 1 billion in July 2021 through multi-tranche tap issuance of 5-, 10- and 30-year Eurobonds. In addition, the Government of Pakistan successfully raised USD 1 billion in January 2022 through the issuance of International Sukuk under the 'Trust Certificate Issuance Program'. This was the first time that government issued International Sukuk with 7 Year maturity; and

[2] https://www.finance.gov.pk/publications/frdla2005_amended_2022.pdf

- Government utilized IMF allocated SDR equivalent to PKR 475 billion to support its budgetary operations.

2.0 Debt Policy Statement

2.1 The Debt Policy Statement is presented to fulfill the requirement of Section 7 of the Fiscal Responsibility and Debt Limitation (FRDL) Act, 2005 which states:

(1) The Federal Government shall cause to be laid before the National Assembly, the Debt Policy Statement by the end of January each year.

(2) The purpose of the Debt Policy Statement is to allow the assessment of the Federal Government's debt policies against the principles of sound fiscal and debt management and debt reduction path.

(3) In particular and without prejudice to the provisions of sub-section (2) the Debt Policy Statement shall, *inter alia*, contain –

(a) assessment of the Federal Government's success or failure in meeting the targets of total public debt to estimated gross domestic product for any given year as specified in the debt reduction path;

(b) evaluations of external and domestic borrowing strategies and provide policy advice on these strategies;

(c) analysis of foreign currency exposure of Pakistan's external debt;

(d) consistent and authenticated information on public and external debt and guarantees issued by the Federal Government;

(e) information of all loan agreements contracted, disbursements made thereof and repayments made thereon, if any, by the Government during the fiscal year; and

(f) analysis of trends in public debt and external debt and steps taken to conform to the debt reduction path as well as suggestions for adjustments, if any, in the Federal Government's overall debt strategy.

3.0 Review of Public Debt

3.1 Fiscal Responsibility and Debt Limitation Act 2005 defines "Total Public Debt" as debt owed by government (including Federal Government and Provincial Governments) serviced out of consolidated fund and debts owed to the International Monetary Fund.

Table-1: Total Public Debt **(Rs in billion)**

	Jun-2021	Jun-2022	Sep-2022
Domestic Debt	26,265	31,036	31,402
External Debt	13,601	18,157	19,729
Total Public Debt	**39,866**	**49,193**	**51,131**
Total Debt of Government[1]	**35,669**	**44,353**	**46,843**
Debt Ratios			
Total Public Debt as percentage of GDP	71.5	73.5	-
Total Debt of Government as percentage of GDP	63.9	66.2	-
Memorandum Items			
GDP (current market price)	55,796	66,950	
Government deposits with the banking system[2]	4,198	4,840	4,287
US Dollar, last day average exchange rates	157.3	204.4	228.0

1. As per Fiscal Responsibility and Debt Limitation Act, 2005 amended in June 2017, "Total Debt of the Government" means the debt of the government (including the Federal Government and the Provincial Governments) serviced out of the consolidated fund and debts owed to the IMF less accumulated deposits of the Federal and Provincial Governments with the banking system.
2. Accumulated deposits of the Federal and Provincial Governments with the banking system.

Source: State Bank of Pakistan and Debt Management Office, Ministry of Finance

3.2 Total public debt was Rs 49,193 billion at end-June 2022, recording an increase of Rs 9,326 billion during FY 2021-22. Economic flows that result in a change in total public debt stock over a period (e.g., a fiscal year) are broadly classified in two categories i.e., (i) transactions; and (ii) other valuation effect.

Table-2: Reasons for increase in Total Public Debt **(PKR in billion)**

	Jun-21	Jun-22	Change
Total Public Debt	**39,866**	**49,193**	**9,327**
of which:			
(I) Transaction Effect			
Federal Primary Deficit / (Surplus)			2,429
Interest Expense			3,183
Cash Balance Increase / (Decrease)			(49)
(II) Valuation Effect			
Exchange Rate Impact / Other			3,764

Source: Budget Wing and Debt Management Office, Ministry of Finance

3.3 Major reasons of change in total public debt include; (i) fiscal deficit (which can be further bifurcated into two analytically useful components i.e., primary deficit and interest expense); (ii) increase or decrease in the amount of cash balance maintained with the central bank; and (iii) movements in exchange rate.

3.4 Changes in total public debt stock arising out of borrowings to meet the fiscal deficit, or to alter the cash balance constitute economic flows arising out of transactions; whereas changes in total public debt stock arising out of movements in exchange rate constitute valuation effect.

3.5 Rest of the increase in public debt was mainly due to increase in cash balances of the Federal Government. In wake of government's commitment to zero borrowing from SBP, a cash buffer was being maintained to meet the short-term liquidity needs. The size of the cash buffer varied as per the liquidity requirements.

4.0 Domestic Debt

4.1 Domestic debt was recorded at Rs 31,036 billion at end-June 2022. Despite challenging macroeconomic situation, domestic borrowing operations remained quite successful as highlighted below:

- Government diversified its funding sources by introducing several new instruments during the year as highlighted in para 1.4;
- In-line with Medium Term Debt Strategy of the country whereby it is envisaged to lengthen the maturity profile of public debt and reduce the gross financing needs, about 97 percent of the net borrowing from domestic wholesale securities was through medium-to-long-term instruments.
- Entire borrowing from domestic sources was made from the financial markets, with no new borrowing from SBP; and
- Apart from meeting government funding needs, re-introduction of Sharia compliant domestic Sukuk program also helped to support the Islamic Banking Industry while providing additional avenue to the investors preferring Shariah compliant investments.

Table-3: Domestic Debt Stock **(Rs in billion)**

	Jun-2021	Jun-2022	Sep-2022
(1) Permanent Debt	**15,911**	**20,377**	**21,001**
Prize Bonds	444	375	378
Pakistan Investment Bonds (PIB)	14,590	17,687	18,185
Government Ijara Sukuk	665	2280	2401
Bai-Muajjal of Sukuk	201	23	23.2
Other	11	13	14
(2) Floating Debt	**6,680**	**6,803**	**6,724**
Market Treasury Bills	6,677	6,752	6672
MTBs for Replenishment	3	51	52
(3) Unfunded Debt	**3,646**	**3,336**	**3,150**
Defense Saving Certificates	477	467	450
Special Savings Certificates	421	377	337
Regular Income Certificates	600	589	586
Behbood Savings Certificates	1,000	1017	1021
Special Savings Accounts	581	307	173
Pensioners' Benefit Account	369	391	396
Postel Life Insurance Schemes	47	47	47
GP Fund	101	80	72

Other	50	61	67
(4) Naya Pakistan Certificates	**28**	**45**	**52**
(5) SBP Loan to GOP against SDRs allocation	**-**	**475**	**475**
Total Domestic Debt (1+2+3+4+5)	**26,265**	**31,036**	**31,402**

Source: State Bank of Pakistan

5.0 External Debt

5.1 External public debt was USD 88.8 billion at end-June 2022, witnessing a net increase of around USD 2.4 billion during the year. Overall, bifurcation of increase in external public debt reveals following information:

- Debt from multilateral and bilateral sources increased by USD 2.4 billion. These loans were obtained primarily to support the spending on infrastructure projects and social sector. These loans were mostly contracted on favorable terms (low cost and longer tenor);
- Pakistan raised USD 1.0 billion through tap issuance of a multi-tranche transaction of 5-, 10- and 30-year Eurobonds under its first ever Global Medium-Term Note Program;
- Commercial loans decreased by USD 0.3 billion which were obtained from foreign commercial banks;
- Net amount of USD 0.7 billion was reduced through non-resident investments in Government Securities, Naya Pakistan Certificates, and Pakistan Banao Certificates.

Table-4: External Public Debt **(USD in million)**

	Jun-2021	Jun-2022	Sep-2022
External Public Debt (i+ii)	**86,457**	**88,838**	**86,512**
i) Long term (>1 year)	**85,599**	**87,489**	**85,511**
Paris Club	10,726	9,232	8,283
Multilateral	41,220	40,920	40,956
Other Bilateral	14,821	18,053	17,717
Euro/Sukuk Global Bonds	7,800	8,800	8,800
Commercial Loans/Credits	9,696	9,481	8,950
Local Currency Securities (PIBs)	463	5	5
NBP/BOC deposits/PBC/NPC*	873	998	802
ii) Short term (<1 year)	**858**	**1,349**	**1,000**
Multilateral	506	1,327	982
Local Currency Securities	352	22	18

*: PBC: Pakistan Banao Certificates, NPC: Naya Pakistan Certificates

Source: State Bank of Pakistan and Debt Management Office, Ministry of Finance

5.2 Pakistan's external debt is derived from four key sources, with around 48 percent coming from multilateral loans, 30 percent from bilateral loans, 9 percent from Eurobonds/Sukuk and 13 percent from commercial loans. Although borrowing from commercial sources has relatively increased during the last few years, multilateral and bilateral sources still cumulatively constituted 78 percent of external public debt portfolio at end-June 2022 and maintained at almost the same level at end Sept 2022.

5 (i) - Analysis of External Public Debt Inflows and Outflows

5.5 Gross external disbursements were USD 16.2 billion during FY 2021-22. The details of gross external inflows from main sources were as follows:

- Disbursements from multilateral sources were recorded at USD 5.8 billion. Out of this, major disbursements were recorded from Asian Development Bank (USD 1.6 billion), World Bank (USD 1.5 billion), Islamic Development Bank – short term (USD 1.3 billion) and IMF (USD 1.0 billion);
- Disbursements from bilateral sources were USD 3.6 billion. Out of this, USD 3.0 billion was received in terms of Saudi time deposits and USD 0.4 billion was utilized under deferred payment Saudi oil facility;
- Gross inflows from International Capital Markets were recorded at USD 2.0 billion, out of which, USD 1.0 billion was raised through a tap issuance of multi-tranche transaction of 5-year, 10-year and 30-year Eurobonds, and USD 1.0 billion was raised through International Sukuk with maturity of 7-years;
- Government received USD 4.8 billion from commercial banks. These commercial loans were mostly obtained to refinance the existing maturities while incremental flows were mainly for balance of payments support.

5.6 External public debt repayments were recorded at USD 11.0 billion during FY 2021-22. The source wise details of external public debt inflows and outflows are depicted in the table below:

Table-5: Source Wise External Inflows and Outflows **(USD in million)**

	Jul 20 - Jun 21	Jul 21 - Jun 22	Jul 22 - Sep 22
DISBURSEMENTS			
Multilateral	4,809	5,794	1,830
Bilateral	1,275	3,597	375
Bonds	2,500	2,000	-
Commercial/Short Term	4,717	4,863	-
Total Inflows (A)	**13,301**	**16,255**	**2,206**
REPAYMENTS			
Multilateral	2,634	2,663	677
Bilateral	100	1,010	540
Bonds	-	1,000	-
Commercial/Short Term	4,201	6,329	846
Total Repayments (B)	**6,935**	**11,002**	**2,063**
Net Inflows (A-B)	**6,366**	**5,253**	**143**

Table-5: Source Wise External Inflows and Outflows **(USD in million)**

	Jul 20 - Jun 21	Jul 21 - Jun 22	Jul 22 - Sep 22
INTEREST PAYMENTS			
Multilateral	598	578	159
Bilateral	115	366	195
Bonds	362	587	72
Commercial/Short term	378	457	116
Total Interest Payments (C)	**1,453**	**1,988**	**541**
Total Debt Servicing (B+C)	**8,388**	**12,990**	**2,908**

Above data excludes disbursements from NPC, PBC and non-resident investment in government domestic securities while the Jul 22 - Sep 22 repayments exclude NPC outflow

Source: Economic Affairs Division and State Bank of Pakistan

5 (ii) - Currency Movements and Revaluation Impact

5.7 Following factors influenced the movement in external public debt stock during FY 2021-22 apart from net inflows:

- In US Dollar terms, valuation gains owing to appreciation of US Dollar against other international currencies decreased the external public debt.
- Pak Rupee depreciated by around 30 percent against US Dollar during the year which led to increase in external public debt when reported in Pak Rupee terms.

6.0 Progress on Medium-Term Debt Management Strategy (2020 - 2023)

6.1 Certain indicative ranges were defined in Pakistan's Medium-Term Debt Management Strategy (MTDS) (2019/20 - 2022/23) to monitor the risks of total public debt portfolio and ensure its sustainability. The progress on MTDS during FY 2019-20, FY 2020-21 and FY 2021-22 are depicted in the table below:

Table-6: Indicative Benchmarks and Targets for Key Risk Indicators

Risk Exposure	Indicators	Indicative Benchmarks	(2019-20) Target	(2019-20) Actual	(2020-21) Target	(2020-21) Actual	(2021-22) Target	(2021-22) Actual
Currency Risk	Share of External Debt in Total Public Debt	40% (Maximum)	-	36	-	34	-	37
Refinancing Risk	ATM of Domestic Debt (Years)	3.5 (Minimum)	4.0	4.1	4.0	3.6	4.0	3.6
	ATM of External Debt (Years)	6.5 (Minimum)	7.0	7.0	7.0	6.8	7.0	6.2
	GFN (% of GDP)	35% (Maximum)	32	31	30	28	27	26
Concentration Risk	Share of Shariah Compliant Debt in Govt Securities (%)	-	2.0	2.0	5.0	3.9	7.5	8.6
Interest Rate Risk	Share of Fixed Rate Debt in Govt Securities (%)	25% (Minimum)	30	34	30	30	30	26

ATM: Average Time to Maturity; GFN: Gross Financing Needs; External Debt refers to External Public Debt

Source: Debt Management Office, Ministry of Finance

6.2 As evident from the table above, despite challenging economic environment, external shocks including commodity prices particularly oil and Russia-Ukraine war, most of the annual targets set for FY 2021-22 with respect to debt risk indicators were achieved, as discussed below:

Share of External Debt in Total Public Debt

6.3 Large external payments in the wake of low foreign exchange reserves can pose liquidity problems and even destabilize the exchange rate which in turn can increase the burden of external loans measured in local currency. Containing the exposure to external debt is important to manage the exchange rate risk. Share of external debt in total public debt increased from 34 percent in FY 2020-21 to 37 percent in FY 2021-22 and was successfully contained below the benchmark (maximum limit) of 40 percent. The increase was attributable mainly to exchange rate depreciation rather than excessive external borrowings. In order to lower the share of external debt, Government will be taking measures to contain the current account deficit and rely more on domestic borrowings to meet the fiscal deficit.

Average Time to Maturity (ATM) and Gross Financing Needs (GFN)

6.4 During FY 2021-22, most of the domestic borrowings was raised through medium-term government securities including 2-, 3-, and 5-year bonds and sukuks. This is a positive development as the reliance on short-term securities reduced despite high borrowing needs in the wake of a large fiscal deficit. The market for medium-term government securities has grown considerably in recent years as higher demand (from investors) tends to match the higher supply (from government) of such instruments. Government is committed to follow stronger fiscal discipline, lower its fiscal deficit and consequently its borrowing needs, and raise most of the domestic borrowings through longer maturity instruments. These measures will help to increase the ATM of domestic debt to 4 years or higher.

6.5. Decline in ATM of the external debt needs to be carefully analyzed and addressed. In recent years, the government has borrowed significant amounts by raising debt from commercial sources including medium to long-term Eurobonds, and short-term bank loans. Eurobonds mostly consist of 5- and 10-year tenors whereas bank loans typically have maturities of 1-year. Most of the bilateral loans obtained in recent years also had relatively shorter maturities. A combination of the above factors has resulted in lower ATM of the external debt.

6.6. GFN/GDP ratio lowered further during FY 2021-22 and stood at 26 percent for the year, thus exceeding the target of 27 percent. It may appear surprising that this occurred despite a worsening of ATM of domestic as well as external debt. Normally a lower GFN/GDP ratio is correlated with a higher ATM. A lower GFN/GDP ratio in FY 2021-22 is attributable partly to an upward revision in GDP as a result of rebasing of GDP figures and partly to the consistent and successful efforts made by MoF to contain the borrowing through short-term T-bills which are the single largest contributor to the GFN/GDP ratio.

Share of Fixed-Rate Debt in Government Securities

6.7 Although, MoF, in recent years, has consistently raised significant amounts through long-term fixed-rate securities, their proportion in total government securities has remained around 30 percent. Due to high borrowing needs, and high & rising domestic interest rate environment during second half of FY 2021-22, larger amounts were raised by issuing floating-rate debt rather than fixed-rate debt. The share of fixed rate debt in government Securities fell below the target set for FY 2021-22.

6.8. Government will consider its strategic benchmarks and targets as well as the economic developments and outlook while setting the monthly targets and issuing long-term fixed-rate domestic government securities through public auctions. It will work closely with State Bank of Pakistan and Securities and Exchange Commission to take the steps necessary to increase competition in the financial markets and increase the size and market share of other participants such as insurance companies and pension funds. Government will work on lowering of fiscal deficit and adoption of policies that lead to price stability and lowering of long-term inflation expectations. These steps will increase the efficiency of financial markets in allocation of resources, generate higher demand for long-term fixed-rate government securities, and enable the government to set and achieve higher targets for fixed-rate government securities.

Share of Shariah-Compliant Debt in Government Securities

6.9 Domestic Sukuk issuance remained robust and the government was able to exceed the target set for 2021-22. The strategy worked well as the government not only exceeded the target for increasing the share of shariah-compliant securities, but was also able to consistently borrow at lower rates through these securities.

7.0 Guarantees

7.1 Government guarantees are generally extended to Public Sector Enterprises (PSEs) to improve financial viability of projects or activities undertaken by the government entities with significant social and economic benefits. Following table contains details of government guarantees stock:

Table-7: Government Guarantees Stock **(Rs in billion)**

	Jun-2021	Jun-2022	Sep-2022
Outstanding guarantees extended to PSEs	**2,407**	**2,983**	**3,165**
- Domestic Currency	1,564	1,533	1,587

- Foreign Currency	843	1,450	1,577
Memo:			
Foreign Currency (US$ in billion)	5.4	7.1	6.9

Source: Relevant Public Sector Enterprises and Debt Management Office, Ministry of Finance

7.2 The volume of new government guarantees issued during a financial year is limited under Fiscal Responsibility and Debt Limitation Act at 2 percent of GDP and the total stock of guarantees is limited to 10 percent of GDP (FRDLA amended in 2022). This limit is applicable on guarantees issued both in local and foreign currencies. During Q1 FY 2022-23, the government issued new guarantees including rollovers amounting to Rs 97 billion or 0.12 percent of GDP while stock of guarantee stood at 4.5% of GDP.

Table-8: Details of Government Guarantees **(Rs in billion)**

	Jun-21		**Jun-22**		**Sep-22**	
	PKR bn	**US$ bn**	**PKR bn**	**US$ bn**	**PKR bn**	**US$ bn**
(Sector Wise Breakup)						
Total Guarantees Stock	**2,407**	**15.3**	**2,983**	**14.6**	**3,165**	**13.9**
- Power Sector	1,999	12.7	2,238	10.9	2,346	10.3
- Aviation	210	1.3	241	1.2	246	1.1
- Financial	66	0.4	110	0.5	108	0.5
- Manufacturing	45	0.3	99	0.5	104	0.5
- Oil & Gas	50	0.3	52	0.3	81	0.4
- Others	37	0.2	243	1.2	278	1.2
(Interest Rate Type)						
Total Guarantees Stock	**2,407**	**15.3**	**2,983**	**14.6**	**3,165**	**13.9**
- Floating Rate	1,649	10.5	1,628	7.9	1,635	7.2
- Fixed Rate	757	4.8	1,355	6.7	1,530	6.7

Note: The original maturities of major portion of Guaranteed Debt Stock were 5 years and above

Source: Relevant Public Sector Enterprises and Debt Management Office, Ministry of Finance

7.3 Guarantees issued against commodity operations are not included in the stipulated limit of 2 percent of GDP as the loans are secured against the underlying commodity and are essentially self-liquidating. These guarantees are issued against the commodity financing operations undertaken by TCP, PASSCO, and provincial governments. The outstanding stock of commodity operations was Rs 1,134 billion at end June 2022 and stood at Rs 1,127 billion at end Sept 2022.

8.0 Recent Updates / Developments

8.1 Following were the highlights of borrowing operations during first half (July – December 2022) of ongoing fiscal year:

- Government retired/repaid portion of T-Bills amounting to Rs 0.7 trillion leading to reduction of short-term maturities in-line with government's commitment to reduce the Gross Financing Needs;
- Government repaid Rs 310 billion against SBP Debt.
- Within domestic debt, government relied on long-term domestic debt securities for financing of its fiscal deficit and repayment of domestic maturities;
- Within external debt, inflows from multilateral and bilateral development partners remained major sources of funding.
- Government repaid USD 1 billion against maturing International Sukuks in December 2022; and
- Successful completion of the 7th and 8th review of the IMF Extended Fund Facility (EFF) led to the disbursement of USD 1 billion.

9.0 Conclusion

9.1 Government is committed to accomplish objectives outlined in FRDL Act, 2005. Going forward, the prime objectives of public debt management remain: (i) fulfilling the financing needs of the government at the lowest possible cost, consistent with prudent degree of risk; (ii) reduce its "Gross Financing Needs (GFN)" through various measures; (iii) broadening the investor base and have a well-functioning domestic debt capital market; (iv) lengthening of maturity profile of its domestic debt portfolio to reduce the re-financing and interest rate risks; and (v) mobilization of maximum available concessional external financing to enhance potential output of the economy by promoting efficiency and productivity, thus, simultaneously adding to the debt repayment capacity of the country.

9.1 Over the medium-term, Pakistan's strategy is to reduce its debt burden to a sustainable level includes commitment to run primary surpluses, promote measures that support higher long-term economic growth and efficient/productive utilization of debt. With narrower fiscal deficit, public debt is projected to enter a firm downward path while government's efforts to improve maturity structure will enhance public debt sustainability.

ANNEXURES

PUBLIC DEBT

Currency Composition of Total Public Debt (In Percent of Total Public Debt)

Currencies	Jun-20	Jun-21	Jun-22
Pak Rupee	64	66	63
US Dollar	19	18	21
Special Drawing Right (SDR)	13	11	11
Japanese Yen	3	2	2
Others	1	3	3
Total	**100**	**100**	**100**

Source: Debt Management Office, Ministry of Finance

DOMESTIC DEBT

Instrument-Wise Composition of Domestic Debt

		Jun-20		Jun-21		Jun-22	
		PKR bn	US$ bn	PKR bn	US$ bn	PKR bn	US$ bn
I+II+III+ IV+V	**Domestic Debt**	**23,283**	**138.4**	**26,265**	**167.0**	**31,036**	**151.9**
I	**Permanent Debt**	**14,031**	**83.4**	**15,911**	**101.1**	**20,377**	**99.7**
	- PIBs	12,886	76.6	14,590	92.7	17,687	86.5
	- Prize Bonds	734	4.4	444	2.8	375	1.8
	- Sukuk / Bai-Muajjal	399	2.4	866	5.5	2,303	11.3
	- Others	11	0.1	11	0.1	13	0.1
II	**Floating Debt**	**5,578**	**33.2**	**6,680**	**42.5**	**6,803**	**33.3**
	- T-Bills	5,576	33.2	6,677	42.4	6,752	33.0
	- MTBs for Replenishment	3	0.0	3	0.0	51	0.2
III	**Unfunded Debt**	**3,674**	**21.8**	**3,646**	**23.2**	**3,336**	**16.3**
	- NSS	3,524	21.0	3,498	22.2	3,208	15.7
	- Others	150	0.9	148	0.9	128	0.6
IV	**Naya Pakistan Certificate**	**-**	**-**	**28**	**0.2**	**45**	**0.2**
V	**SBP loan to GOP against SDRs allocation**	**-**	**-**	**-**	**-**	**475**	**2.3**

Source: State Bank of Pakistan and Debt Management Office, Ministry of Finance

Creditor-Wise Composition of Domestic Debt **(Rs in billion)**

		Jun-20	%	Jun-21	%	Jun-22	%
I+II	**Domestic Debt**	**23,283**	**100**	**26,265**	**100**	**31,036**	**100**
I	**Tradable Government Securities**	**18,864**	**81**	**22,137**	**84**	**26,793**	**86**
	- Held by Scheduled Banks	9,398	40	12,770	49	16,573	53
	- Held by SBP	7,193	31	6,624	25	6,146	20
	- Held by Non-Banks	2,273	10	2,742	10	4,074	13
II	**Others**	**4,419**	**19**	**4,129**	**16**	**4,243**	**14**
	- NSS (including Prize Bonds)	4,258	18	3,942	15	3,583	12
	- Naya Pakistan Certificate	-	-	28	0	45	0
	- SBP loan to GOP against SDRs allocation	-	-	-	-	475	2
	- Other	161	1	159	1	141	0

Source: State Bank of Pakistan and Debt Management Office, Ministry of Finance

Maturity Profile of Domestic Debt **(Rs in billion)**

		Jun-20	%	Jun-21	%	Jun-22	%
I+II	**Domestic Debt**	**23,283**	**100**	**26,265**	**100**	**31,036**	**100**
I	**Short-Term Debt (< 1 Year)**	**6,765**	**29**	**9,439**	**36**	**10,085**	**32**
	- T-Bills	5,578	24	6,680	25	6,803	22
	- Medium & Long-Term Debt*	1,187	5	2,759	11	3,282	10
II	**Medium & Long-Term Debt (> 1 Year)**	**16,518**	**71**	**16,826**	**64**	**20,951**	**68**

*Remaining Maturity of less than 1 year

Source: State Bank of Pakistan and Debt Management Office, Ministry of Finance

Interest Rate Type of Domestic Debt **(Rs in billion)**

		Jun-20	%	Jun-21	%	Jun-22	%
I+II	**Domestic Debt**	**23,283**	**100**	**26,265**	**100**	**31,036**	**100**
I	**Floating Rate**	**12,381**	**53**	**15,558**	**60**	**19,757**	**64**
	- T-Bills	5,578	24	6,680	26	6,803	22
	- Floating Rate Bonds	6,803	29	8,878	34	12,954	42
II	**Fixed Rate**	**10,902**	**47**	**10,707**	**40**	**11,279**	**36**

Source: State Bank of Pakistan and Debt Management Office, Ministry of Finance

EXTERNAL DEBT

Source Wise External Public Debt

		Jun-20		Jun-21		Jun-22	
		US$ mn	%	US$ mn	%	US$ mn	%
I+II+III	**External Public Debt**	**77,994**	**100**	**86,457**	**100**	**88,836**	**100**
I	**Multilateral**	**39,392**	**51**	**41,726**	**48**	**42,247**	**48**
	- World Bank	16,184	21	18,135	21	17,851	20
	- Asian Development Bank	12,741	16	13,423	16	13,772	16
	- IMF	7,680	10	7,384	9	6,897	8
	- Others	2,787	4	2,783	3	3,727	4
II	**Bilateral**	**24,352**	**31**	**25,547**	**30**	**27,285**	**31**
	- Paris Club	10,924	14	10,726	12	9,232	10
	- Non-Paris Club	13,428	17	14,821	17	18,053	20
III	**Commercial**	**14,250**	**18**	**19,184**	**22**	**19,304**	**22**
	- Commercial Loans	8,210	11	9,696	11	9,481	11
	- Euro/Sukuk Global Bonds	5,300	7	7,800	9	8,800	10
	- Naya Pakistan Certificates	-	-	809	1	951	1
	- Local Currency (T-Bills & PIBs)	682	1	815	1	27	0
	- NBP/BOC deposits/PBC	59	0	65	0	45	0

Source: Ministry of Economic Affairs, State Bank of Pakistan & Debt Management Office, Ministry of Finance

Bifurcation of External Public Debt (Federal and Provincial Governments) **(USD in million)**

		Jun-22	% of Total
I+II	**External Public Debt**	**88,836**	**100**
I	**Provincial Govts/Sub-National Govts**	**11,054**	**12**
	- Punjab	5,894	7
	- Sindh	2,729	3
	- Khyber Pakhtunkhwa (KP)	1,915	2
	- Baluchistan	297	0
	- Gilgit-Baltistan	48	0
	- Azad Jammu & Kashmir	230	0
II	**Federal Government**	**77,782**	**88**

Source: Ministry of Economic Affairs

Maturity Profile of External Public Debt **(USD in million)**

		Jun-20		Jun-21		Jun-22	
		US$ mn	%	US$ mn	%	US$ mn	%
I+II	**External Public Debt**	**77,994**	**100**	**86,457**	**100**	**88,836**	**100**
I	**Short-Term Debt (< 1 Year)**	**12,382**	**16**	**14,337**	**17**	**21,355**	**24**
	- Bilateral Deposits	3,000	4	4,000	5	7,000	8
	- IDB Short-Term	814	1	506	1	1,327	1
	- LC Securities (T-Bills)	586	1	352	0	22	0
	- Other (Remaining Maturity < 1)*	7,982	10	9,479	11	13,006	15
II	**Medium & Long-Term Debt (> 1 Year)**	**65,612**	**84**	**72,120**	**83**	**67,481**	**76**

* Including Commercial Bank loans

Source: Ministry of Economic Affairs, State Bank of Pakistan and Debt Management Office, Ministry of Finance

Interest Rate Type of External Public Debt **(USD in million)**

		Jun-20		Jun-21		Jun-22	
		US$ mn	%	US$ mn	%	US$ mn	%
I+II	**External Public Debt**	**77,994**	**100**	**86,457**	**100**	**88,836**	**100**
I	Floating Rate	23,348	30	26,462	31	27,484	31
II	Fixed Rate	54,646	70	59,995	69	61,352	69

Source: State Bank of Pakistan and Debt Management Office, Ministry of Finance

Note:

For further details on public debt statistics, "Annual Debt Bulletin FY 2021-22" at https://www.finance.gov.pk/dpco/Annual_Debt_Review_FY_2021_22.pdf may please be referred.

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