Medium Term Debt Management Strategy

(2015/16 - 2018/19)

Debt Policy Coordination Office
Ministry of Finance
Government of Pakistan

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Foreword

Present government took office in June 2013 and started articulating its economic vision which is based on trade and investment, market considerations, enhancing private sector involvement, limiting itself within the broader limits imposed by the available resources and broadening the base of resource mobilization for running the government. It also accorded high priority to resolve energy crisis, up-gradation of infrastructure base, building up foreign exchange reserves and correcting fiscal and external imbalances. Such developmental plans / reforms require borrowings from external and domestic markets. Accordingly, Government of Pakistan has updated its Medium Term Debt Management Strategy to guide the borrowing activities.

Medium Term Debt Management Strategy is a plan that the government intends to follow to achieve desired composition of the government debt portfolio, which captures the government's preference with regards to cost-risks tradeoff. It contains suggestions on an appropriate mix of financing from different sources with the spirit to uphold the integrity of the Fiscal Responsibility & Debt Limitation (FRDL) Act, 2005. It will also enhance the coordination with fiscal and monetary management while helping to achieve greater clarity and accountability for public debt management.

I sincerely appreciate the Finance Secretary and his team for determined efforts in preparation of this document.

Senator Mohammad Ishaq Dar
Minister for Finance,
Revenue, Economic Affairs,
Statistics and Privatization

Acknowledgement

The preparation of Medium Term Debt Management Strategy would not have been possible without the valuable contribution and support of many individuals, organizations, ministries and departments particularly State Bank of Pakistan, Economic Affairs Division, Central Directorate of National Savings, External Finance Wing and Budget Wing.

I would like to recognize the efforts put in by Debt Policy Coordination Office led by Mr. Ehtesham Rashid, Director General and his team comprising Mr. Sajjad Ahmad Shaikh, Director, Mr. Muhammad Ikram, Deputy Secretary, Mr. Muhammad Umar Zahid, Financial Analyst and Mr. Arsalan Ahmed, Financial Analyst in preparation of this document.

Waqar Masood Khan
Secretary Finance
Government of Pakistan

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1.0 Introduction

1.1 The present medium term debt management strategy for 2015/16 - 2018/19 provides the direction in which the government intends to meet its financing requirements over the medium term and to achieve desired composition of the government public debt portfolio keeping in view cost-risk tradeoffs. It is a continuation of previous debt management strategy for 2013/14 - 2017/18, the implementation of which for 2014-15 against main risk indicators is as follow:

Table-1: Main Risk Indicators

Main Risk Indicators[a]		External debt		Domestic debt		Total debt	
		2013	2015	2013	2015	2013	2015
FX Risk	ST FX debt (% of official liquid reserves)					68.5	27.9
Interest rate risk	Debt Re-fixing in 1yr (% of total)	22.2	20.6	67.2	47.7	52.4	40.0
	ATR (years)	9.2	8.6	1.8	2.3	4.2	4.1
Refinancing risk	Debt maturing in 1yr (% of total)	8.9	8.1	64.2	47.3	46.0	36.2
	ATM (years)	10.1	9.4	1.8	2.3	4.5	4.3

[a]As per modalities of MTDS

1.2 As depicted in the table above, an improvement was observed in most of the public debt risk indicators during last two fiscal years. The refinancing risk of the domestic debt reduced at the end of 2014-15 as indicated by percentage of domestic debt maturing in one year reduced to 47 percent compared with 64 percent at the end of 2012-13. Exposure to interest rate risk reduced as percentage of debt re-fixing in one year decreased to 40 percent at the end of 2014-15 as compared with 52 percent at the end of 2012-13. Share of external loans maturing within one year was around 28 percent of official liquid reserves at the end of 2014-15 as compared with around 69 percent at the end of 2012-13 indicating improvement in foreign exchange stability and repayment capacity.

1.3 Government has updated Medium Term Debt Management Strategy (MTDS) as the macroeconomic realities have changed since 2012-13. The purpose is to ensure that both the level and rate of growth in public debt is fundamentally sustainable and can be serviced under different circumstances while meeting cost and risks objectives. The MTDS contains suggestions on an appropriate mix of financing from different sources with the spirit to uphold the integrity of the Fiscal Responsibility & Debt Limitation (FRDL) Act, 2005.

OBJECTIVES, SCOPE & STRATEGIC GUIDELINES

Objectives

1.4 The prime objective of the MTDS is to suggest financing at the lowest possible cost while giving due consideration to the risks. The MTDS has the following main objectives:

- Covering the government's financing needs and payment obligations, while minimizing medium and long-term costs;
- Minimizing the risks of the government public debt portfolio; and
- Facilitate the development of domestic debt market.

Scope

1.5 The scope for coverage of public debt portfolio includes the debt contracted by the federal government. It also includes debt extended to provinces and SOEs on on-lending arrangement by the federal government. The analysis also includes the portion of IMF debt which was utilized towards budgetary support. However, the balance of payment portion of IMF debt is not included in the analysis since it is not a financing source for the government budget.

1.6 Time horizon of MTDS is 2015/16 - 2018/19. The starting point for the analysis is the debt portfolio as of end-June, 2015.

Strategic Guidelines:

1.7 The following principles shall guide the government funding decisions during the period 2016 - 2019:

- Gradually lengthen the maturity profile of domestic debt by mobilizing more financing in the form of medium and longer tenor instruments to reduce the rollover / refinancing risk;
- Minimizing the exposure to interest rate risk by monitoring the share of domestic debt re-fixing within the next year and the average time to re-fixing for the total portfolio;

- Pursuing a smooth redemption profile, especially in the domestic debt to avoid the concentration of principal repayments/refinancing of government securities in the short-term;
- Availing maximum available concessional external financing from development partners to benefit from favorable terms and conditions;
- Maintaining presence in the international capital markets, through issuance of Eurobonds / Pakistan International Sukuks keeping in view cost risk tradeoffs;
- Preference will be given to foreign currency funding in US Dollar over other currencies keeping in view balance of payment requirements and redemption profile of existing external debt.

These principles translate into indicative targets / ranges for key risk indicators that allow flexibility in managing government public debt to respond to changes in the financial markets. These are indicative targets only which the government aims over the medium term to manage its public debt portfolio effectively. The breach from limits referred to as the minimum or maximum may prove to be unfavorable, while the other side of the range may be achieved or exceeded and depict improvement.

To manage foreign currency risk:

- Keeping share of external debt between 20 percent (minimum) and 35 percent in public debt over the medium term;

To manage refinancing risk:

- Maintaining the share of debt maturing in the next 12 months between 50 percent and 65 percent (maximum) for the domestic debt and between 35 percent and 50 percent (maximum) for the public debt;
- Maintaining ATM between 1.5 (minimum) and 2.5 years for domestic debt and between 3.0 (minimum) and 4.5 years for the public debt.

To manage interest rate risk:

- Maintaining the share of debt re-fixing in the next 12 months between 50 percent and 65 percent (maximum) for domestic debt and between 40 percent and 55 percent (maximum) for the public debt;
- Maintaining ATR between 1.5 (minimum) and 2.5 years for domestic debt and between 3.0 (minimum) and 4.5 years for the public debt.

2.0 Overview of Public Debt Portfolio (2014-15)

2.1 During 2014-15, improvement in current account, relatively contained fiscal deficit and revaluation gain on account of appreciation of US dollar against major currencies, slowed down the pace of public debt accumulation. The maturity profile of domestic debt continued to improve in 2014-15 as the share of Pakistan Investment Bonds (PIBs) in total domestic debt increased to 34 percent by end June, 2015 from 30 percent in 2013-14 and only 14 percent in 2012-13. During the year, the policy rate was significantly reduced mainly owing to comfort on external account and expected sharp reduction in inflation. Specifically, during the four consecutive monetary policy decisions from mid-November 2014 to May 2015, SBP reduced the discount rate by a cumulative 300 basis points to a multi-decade low of 7 percent[1]. The conducive economic environment coupled with supportive monetary policy provided an ideal opportunity for the government to revise coupon rates on PIBs. Accordingly, the government was also able to rationalize the cost of domestic debt by aligning the rates on domestic debt instruments with the market yields. Moreover, ownership structure witnessed gradual shift from SBP to commercial banks, as the government retired portion of debt to SBP during 2014-15.

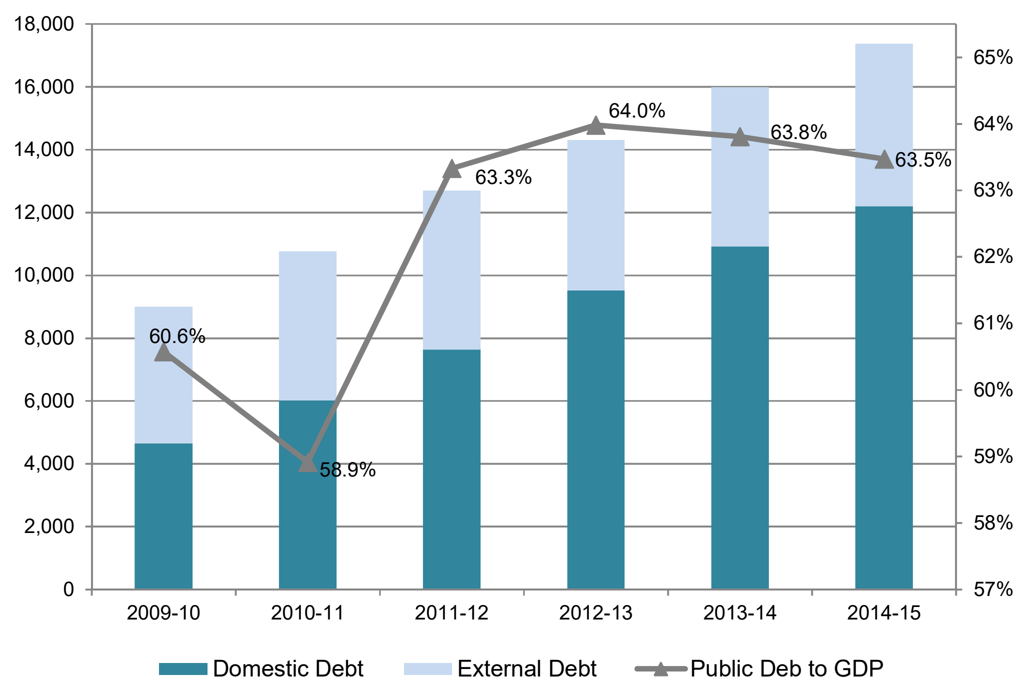
2.2 Government was able to mobilize external inflows from multilateral and bilateral development partners and continued its presence in international capital markets with successful launch of 5 year Islamic International Sukuk Bonds in November 2014. Pakistan re-entered the international capital market at the time, when interest rates were low and appetite for sovereign papers was high. This enabled the government not only to retire the expensive domestic debt but also helped to increase the foreign exchange reserves of the country. Encouragingly, the foreign exchange reserves crossed $ 15 billion[2] mark by end December, 2014 which provided access to IBRD funding.

2.3 Public debt was recorded at Rs.17,381 billion or 63.5 percent of GDP as at end-June 2015 compared with 63.8 percent during the same period last year (Refer Annex 'I' for public debt details). This reduction in public debt to GDP ratio is mainly attributed to improvement in fiscal and current account balances and

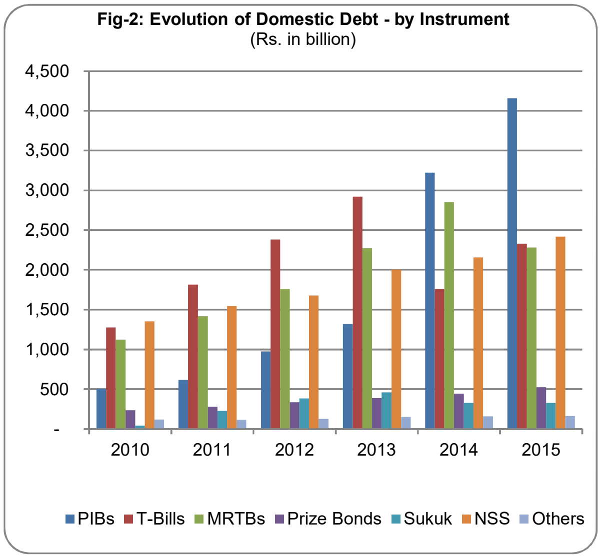
[1] The ceiling rate reduced further following a 50 basis point cut in SBP's target rate, effective from September 14, 2015.
[2] The foreign exchange reserves exceeded $ 20 billion as at end September, 2015.

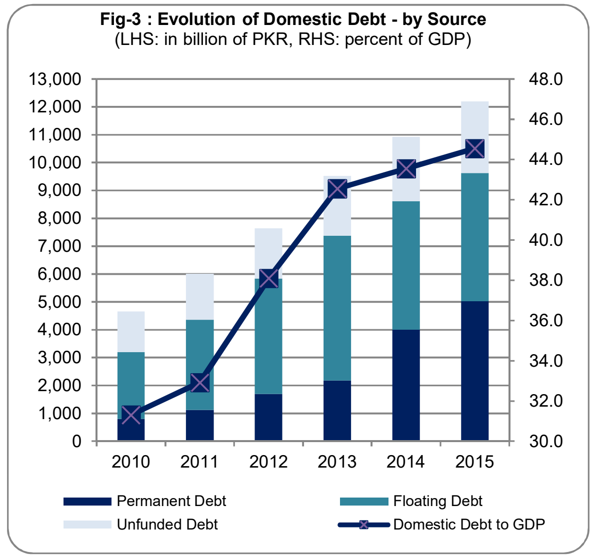
revaluation gain on external public debt portfolio. Public debt recorded an increase of Rs.1,389 billion during 2014-15 as compared with the increase of Rs.1,673 billion during the preceding fiscal year. The trends in public debt are shown through the graph below:

Fig-1: Profile of Public Debt
(LHS: in billion of PKR, RHS: percent of GDP)



2.4 The pace of domestic debt slowed down during 2014-15 on the back of improvement in fiscal balance (Refer Annex 'II' for component wise domestic debt details). The domestic debt increased by Rs.1,279 billion during 2014-15 and recorded at Rs.12,199 billion as at end June, 2015. The composition of domestic debt witnessed some changes as share of SBP Market Related Treasury Bills (MRTBs) in total domestic debt decreased to 19 percent at the end of 2014-15 as compared with 26 percent at the end of last fiscal year. Similar to last year, financing structure remained tilted towards medium to long term debt instruments. Consequently, the share of permanent debt in total domestic debt further increased to 34 percent at the end of 2014-15 as compared with 30 percent at the end of 2013-14. The evolution of domestic debt is shown through following graphs:





2.5 External Debt and Liabilities (EDL) stock was recorded at $ 65.1 billion as at end June 2015 out of which external public debt was $ 50.9 billion (Refer Annex 'III' for component wise external debt details). Despite significant amount of disbursements by IFIs and mobilization of $ 1 billion through issuance of Pakistan International Sukuk, public external debt witnessed a decline of $ 425 million during 2014-15 primarily due to repayments and revaluation gain on account of appreciation of US Dollar against other major currencies.

2.6 During 2014-15, public debt servicing was recorded at Rs.1,589 billion against the annual budgeted estimate of Rs.1,686 billion. Public debt servicing consumed nearly 40 percent of total revenues during 2014-15. Ideally, this ratio should be below 30 percent to allow government to allocate more resources towards development and social sectors.

Table-2: Public Debt Servicing - (2014-15)

	Budgeted	Actual (P)	Percent of Revenue	Percent of Current Expenditure
	(Rs. in billion)			
Servicing of External Debt	100.6	95.7	2.4	2.2
Repayment of External Debt	360.7	285.2	7.3	6.4
Servicing of Domestic Debt	1,224.6	1,208.1	30.7	27.3
Servicing of Public Debt	1,685.9	1,589.0	40.4	35.9

P: Provisional

Source: Budget Wing and Debt Policy Coordination Office Staff Calculations, Ministry of Finance

2.7 Domestic interest payments constituted around 76 percent of total debt servicing which is due to increasing volume of domestic debt in overall public debt portfolio. Domestic interest payments grew by 13 percent during 2014-15 compared to 17 percent recorded in 2013-14. Further analysis of domestic debt servicing revealed that large portion was paid against PIBs (Rs.389 billion), followed by Market Related Treasury Bills (Rs.270 billion), T-Bills (Rs.170 billion), Special Savings Certificates and Accounts (Rs.99 billion) and Bahbood Saving Certificates (Rs.89 billion).

2.8 During 2014-15, the government issued fresh/rollover guarantees aggregating to Rs.156 billion or 0.6 percent of GDP, whereas, outstanding stock of government guarantees as at end June 2015 amounted to Rs.644 billion. The domestic currency guarantees accounted for 83 percent of the total guarantees stock.

Table-3: Guarantees Outstanding as on June 30, 2015 (Rs. in billion)

Outstanding guarantees extended to PSEs	**644**
-Domestic Currency	533
-Foreign Currency	111
Memo:	
Foreign Currency ($ in million)	1,088

During 2014-15, the government issued fresh/rollover guarantees aggregating to Rs.156 billion or 0.6 percent of GDP

Source: Debt Policy Coordination Office, Ministry of Finance

Table-4: New Guarantees Issued - by Entity (2014-15) - (Rs. in billion)

Name of Organization	Amount
PHPL	96.0
PIA	58.8
Pakistan Textile City	1.2
Total	**155.9**
In percent of GDP	**0.6**

Source: Debt Policy Coordination Office, Ministry of Finance

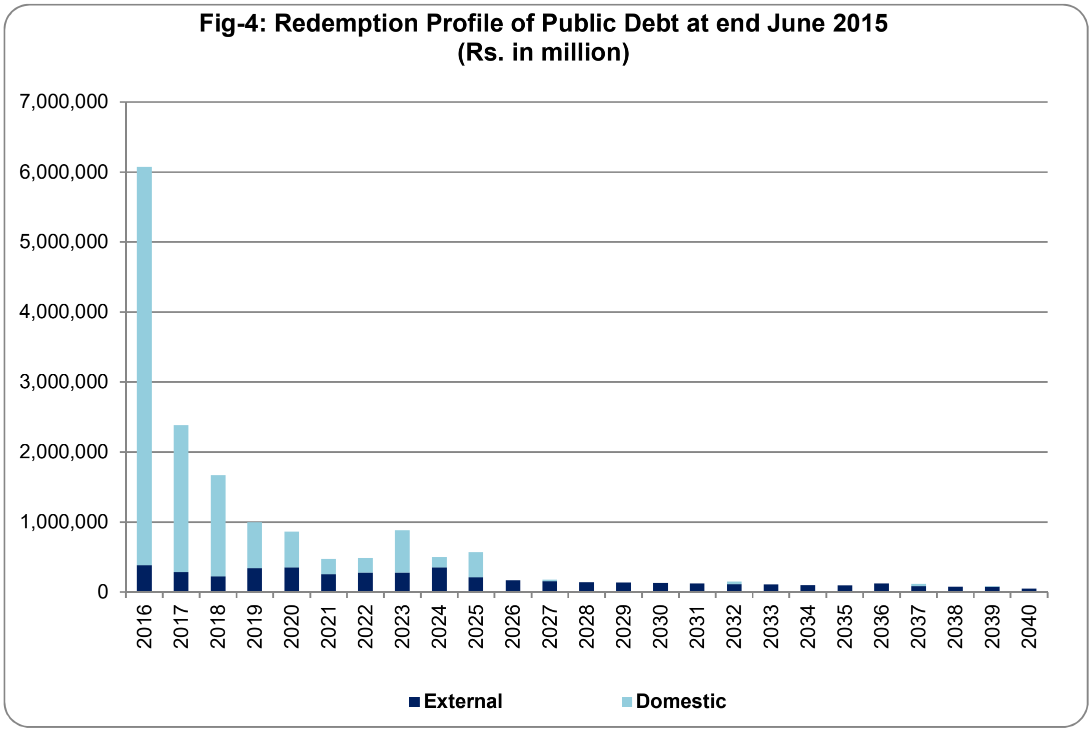
2 (i) Public Debt Risks Indicators - End June, 2015

Table-5: Public Debt Risks Indicators

Cost and Risk Indicators[a]		External debt		Domestic debt		Total debt	
		2013	2015	2013	2015	2013	2015
Refinancing risk	ATM (years)	10.1	9.4	1.8	2.3	4.5	4.3
	Debt maturing in 1yr (% of total)	8.9	8.1	64.2	47.3	46.0	36.2
Interest rate risk	ATR (years)	9.2	8.6	1.8	2.3	4.2	4.1
	Debt Re-fixing in 1yr (% of total)	22.2	20.6	67.2	47.7	52.4	40.0
	Fixed rate debt (% of total)	83.4	83.3	39.6	58.9	54.0	65.8
FX risk	FX debt (% of total debt)					32.9	28.3
	ST FX debt (% of net international reserves)					(169.0)[b]	70.6
	ST FX debt (% of official liquid reserves)					68.5	27.9

[a]As per modalities of MTDS (2013/14 - 2017/18)
[b]due to negative net international reserves as at end June 2013

2.9 Refinancing risk was of prime concern in Pakistan's public debt portfolio, driven by the concentration of domestic debt in short maturities at the end of 2012-13. The refinancing risk of the domestic debt reduced at the end of 2014-15 as indicated by percentage of domestic debt maturing in one year reduced to 47 percent compared with 64 percent at the end of 2012-13. Accordingly, average time to maturity of domestic debt increased to 2.3 years at the end of 2014-15 as compared with 1.8 years at the end of 2012-13. However, average time to maturity of external debt decreased to 9.4 years as compared with 10.1 years at the end of 2012-13. This reduction in average time to maturity of external debt may be attributed to relatively higher proportion of external debt repayments in next 10 years and running off the existing long term external debt portfolio. Given the upcoming maturities in the next one year or so, the government will have the opportunity to do a re-profiling. The redemption profile of domestic and external debt as at end June 2015 is shown in the graph below:



2.10 The structure of principal repayments and refinancing of government securities presented in the graph above shows some accumulation of principal repayments in next three years. Although the government has able to reduce refinancing risk of its domestic debt as compared with end June 2013, still concentration of repayments over the short term are evident in the redemption profile. Government is gradually reducing refinancing risk of its domestic debt portfolio through more mobilization from medium to long term securities.

2.11 Exposure to interest rate risk reduced as percentage of debt re-fixing in one year decreased to 40 percent at the end of 2014-15 as compared with 52 percent at the end of 2012-13. Average time to re-fixing slightly decreased to 4.1 years at the end of 2014-15 as compared with 4.2 years at the end of 2012-13. This number is a combination of average time to re-fixing of 8.6 years on external debt and around 2.3 years on domestic debt. Further, fixed rate debt as a percentage of total debt increased to 66 percent at the end of 2014-15 as compared with 54 percent at the end of 2012-13 indicating reduced exposure to interest rate changes while external debt having fixed rate slightly reduced in proportion at the end of 2014-15 compared with 2012-13. Domestic debt carrying fixed rate increased to 59 percent at the end of 2014-15 as compared with 40 percent at the end of 2012-13 as the government mobilized more through issuance of PIBs during last two years.

2.12 Around 28 percent of total public debt stock was denominated in foreign currency which is a source of exchange rate risk. Currency wise composition of public debt stock is depicted through table below:

Table-6: Public Debt - by Currency[(a)] (in $)

Currencies	Percentage
Pak Rupee	71.7
US Dollar	10.6
Special Drawing Rights	8.7
Japanese Yen	5.1
Euro	2.4
Others	1.5
Total	**100.0**

[(a)]As per modalities of MTDS

2.13 Within external debt and adjusted for Special Drawing Rights (SDR)[3], around 91 percent of total external public debt is contracted in 3 major currencies i.e. main exposure of exchange rate risk comes from USD denominated loans (52 percent of total external debt), followed by Japanese Yen (20 percent) and Euro (19 percent). The share of external loans maturing within one year was equal to around 28 percent of official liquid reserves at the end of 2014-15 as compared with around 69 percent at the end of 2012-13 indicating improvement in foreign exchange stability and repayment capacity.

[3]Loans in SDR are decomposed in relevant currencies available in basket according to their assigned weights.

3.0 Potential Financing Sources

3.1 Government meets its financing requirements from both domestic and external sources. Domestic sources mainly include issuance of government securities and receipt of deposits through National Savings Schemes (NSS). External sources mainly include loans from multilateral and bilateral development partners, issuance of bonds in the international capital markets and short term foreign currency loans.

Description of Financing Operations (2014-15)

3.2 A considerable improvement was witnessed in the financing mix of fiscal deficit during 2013-14 as government was able to finance around 37 percent of its budget deficit from external sources. Although net external debt inflows improved slightly in 2014-15, the government continued to rely more on domestic sources (bank and non-bank) to finance its budget deficit.

3.3 Within the banking system, the major source of financing remained commercial banks while portion of debt of SBP was retired. Out of total mobilization from banking system, most of debt was obtained in the form of PIBs followed by T-bills.

3.4 The non-bank sources mainly include NSS and private sector investment in government securities. While financing from NSS increased sharply from Rs.140 billion in 2013-14 to Rs.260 billion in 2014-15, however, private sector investment in government securities declined following the reduction in interest rates.

3 (i) Domestic Sources

3.5 MTBs, PIBs and GIS are the main instruments for domestic debt. PIBs and MTBs are issued through auctions in primary market. PIBs and GIS are medium and long term securities, whereas, MTBs are short term instruments having maturity up to one year. The issuance of MTBs, PIBs and GIS will continue to be a source of funding for the government.

3.6 NSS are designed to attract savings mainly from retail investors which were 24 percent of total domestic debt at end-June, 2015. They grew continuously in real terms due to the attractive rates of return combined with the option for early redemption. NSS seems supportive to absorb growing need for financing.

Domestic Market Developments in 2014-15

3.7 Auction profile of government securities showed different pattern of investment by the commercial banks during 2014-15, depending largely on their assessment of changes in the interest rates, inflation and liquidity conditions. In this context, following points are worth noting:

- In-line with the objective of improving the maturity profile of domestic debt, the government announced a higher pre-auction target of Rs.300 billion for PIBs during first quarter of 2014-15. However, commercial banks' offered amounts in PIBs in July and August 2014 fell short of the target and government also could not make up for the shortfall from T-Bills auction. Although commercial banks' appetite for PIBs started to revive from September 2014, however, cumulative borrowing during first quarter of 2014-15 was lower than the required amount. Resultantly, the government had to rely on SBP financing during this period.
- In second quarter of 2014-15, commercial banks started offering large amounts in PIBs owing to declining interest rate expectations on the back of decrease in inflation, ease in external account and stability in exchange rate. The offered amount against PIBs auction were five times higher than target while offered amount in T-bills remained below the target during second quarter of 2014-15. The significant shift from T-bills to PIBs during second quarter of 2014-15 facilitated improvement in the maturity profile of domestic debt.
- Following a second cut in the policy rate in January 2015 and fall in term premium between 3 years PIBs and 6-month T-bills, commercial bank followed a balanced approach i.e. the banks started investing both in T-bills and PIBs during third quarter of 2014-15. The term premium between 3 years PIBs and 6-month T-bills started to decline after October 2014 onwards as cut-off yields remained closer to the policy rate in third and fourth quarter of 2014-15. Accordingly, for the first time since August 2008, PIBs coupon rates were cut by 2 percent to 2.25 percent in February 2015 to have an alignment in coupon rates and market yields. The conducive economic environment coupled with supportive monetary

policy provided an ideal opportunity for the government to revise coupon rates on PIBs.

The yields (6 months T-bills, 3, 5 and 10 years PIBs) and auction wise details from July 2014 to June 2015 are depicted through following graph:

Fig-5: T-Bills PIBs Yields (6 Months, 3, 5 & 10 Years) - In Percent

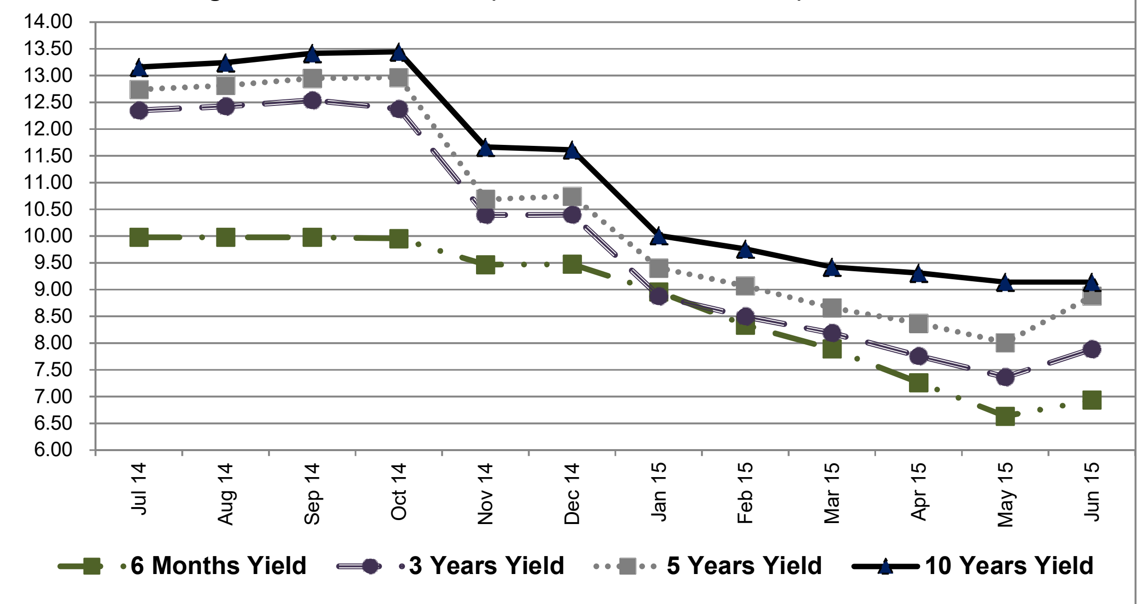
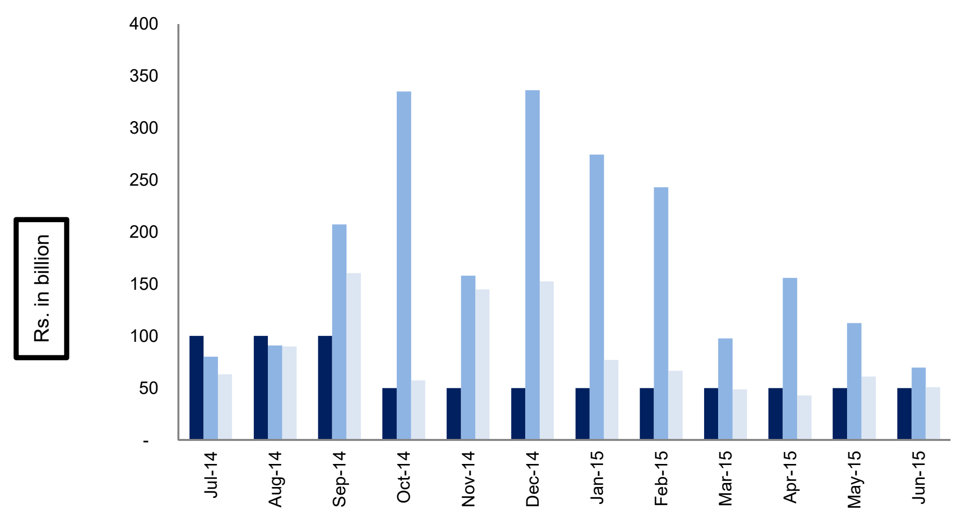
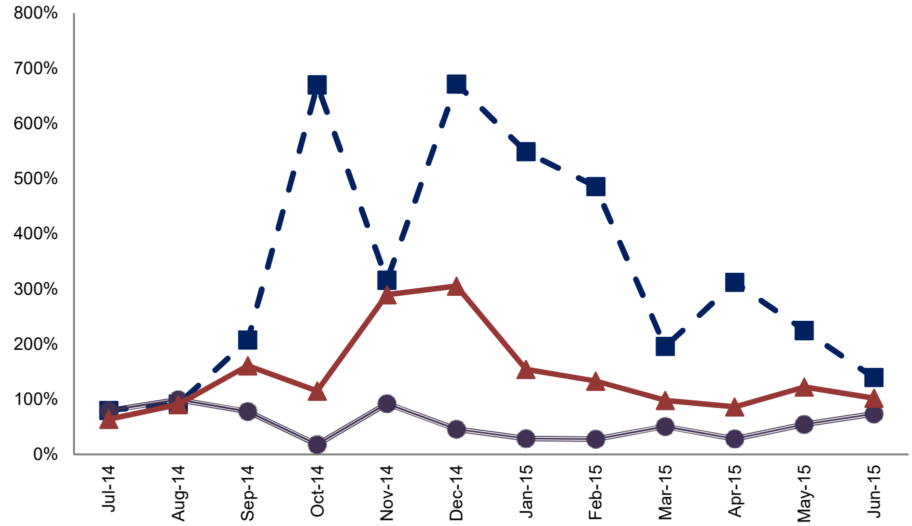


Fig-6: PIBs Auction Profile - 2014-15
(Rs. in billion)



	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
Auction Target (Rs. in billion)	100	100	100	50	50	50	50	50	50	50	50	50
Auction Participation (Rs. in billion)	80	91	207	335	158	336	274	243	98	156	112	70
Amount Accepted (Rs. in billion)	63	90	160	57	145	152	77	66	49	43	61	51

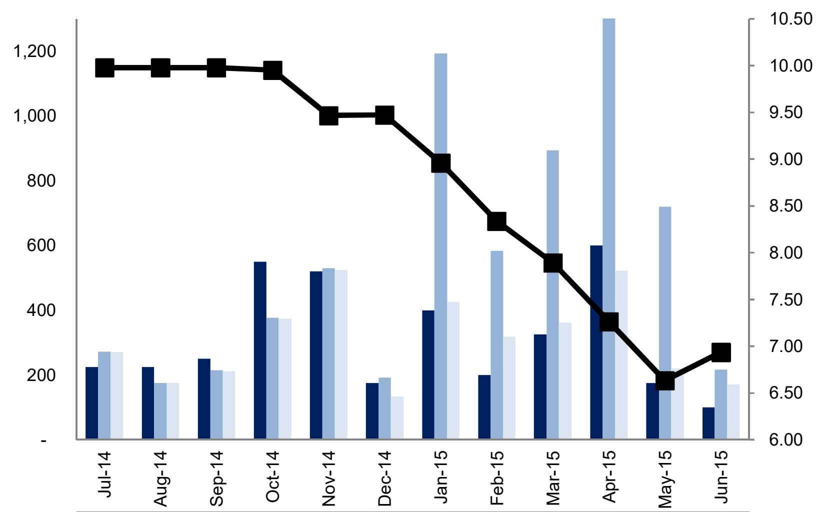
Fig-7: PIBs Auction Ratios - 2014-15



	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
Bid Coverage	80%	91%	207%	670%	316%	672%	549%	486%	195%	312%	225%	139%
Acceptance Ratio	79%	99%	77%	17%	92%	45%	28%	27%	50%	27%	54%	73%
Acceptance/ Target	63%	90%	160%	115%	289%	305%	154%	133%	98%	86%	122%	101%

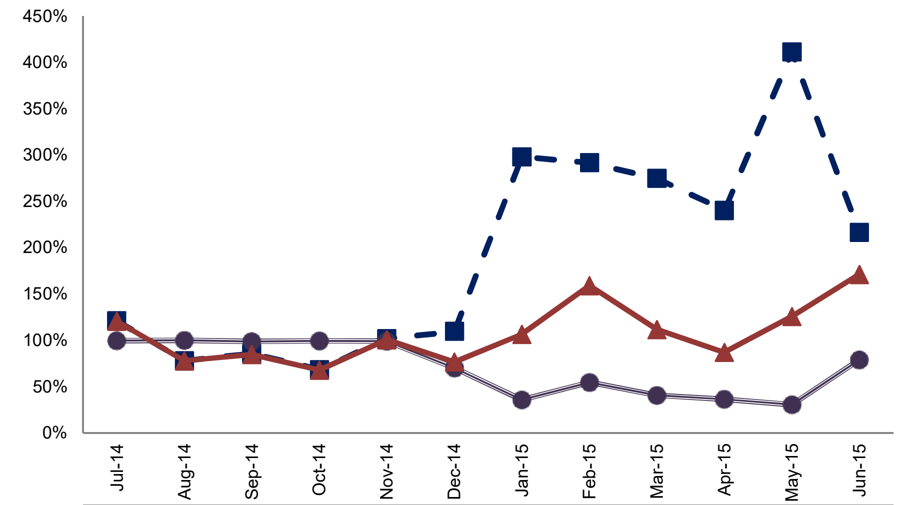
Bid Coverage = Auction Participation / Auction Target
Acceptance Ratio = Amount Accepted / Auction Participation
Acceptance / Target = Amount Accepted / Auction Target

Fig-8: T-Bills Auction Profile - 2014-15
(LHS:PKR in billion, RHS: Percentage)



	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
Auction Target (Rs. in billion)	225	225	250	550	520	175	400	200	325	600	175	100
Auction Participation (Rs. in billion)	272	175	214	377	529	192	1,193	584	894	1,443	720	216
Amount Accepted (Rs. in billion)	271	175	212	374	524	134	426	318	362	522	220	171
6 month T-Bill Yield (%)	9.98	9.98	9.98	9.95	9.47	9.47	8.96	8.34	7.89	7.26	6.64	6.94

Fig-9: T-Bills Auction Ratios - 2014-15



	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
Bid Coverage	121%	78%	86%	69%	102%	110%	298%	292%	275%	240%	412%	216%
Acceptance Ratio	100%	100%	99%	99%	99%	70%	36%	55%	41%	36%	31%	79%
Acceptance/ Target	121%	78%	85%	68%	101%	77%	107%	159%	112%	87%	126%	171%

Bid Coverage = Auction Participation / Auction Target
Acceptance Ratio = Amount Accepted / Auction Participation
Acceptance / Target = Amount Accepted / Auction Target

3.8 As at end June 2015, domestic debt continued being dominated by commercial banks that held 44 percent of domestic debt. Overall debt from banking system (including SBP debt) stood at 63 percent of total domestic debt as at end June 2015 as compared with 62 percent a year earlier. The bank investment in government securities stood on average at 43 percent of the total assets of the banks as of June 30, 2015.

Secondary Market Activities of Government Securities

Secondary Market Trading:

3.9 During 2014-15, government securities amounting Rs.10,682 billion (i.e. Rs.43.3 billion per day average) were traded in the secondary market showing a marginal increase compared to Rs.10,604 billion in 2013-14. The trading turnover (represented by ratio of trading volume to outstanding stock of government securities) has decreased (refer Table-7). Main reason for this declining turnover is investors' preference to buy and hold government securities particularly PIBs, in the wake of declining interest rate scenario.

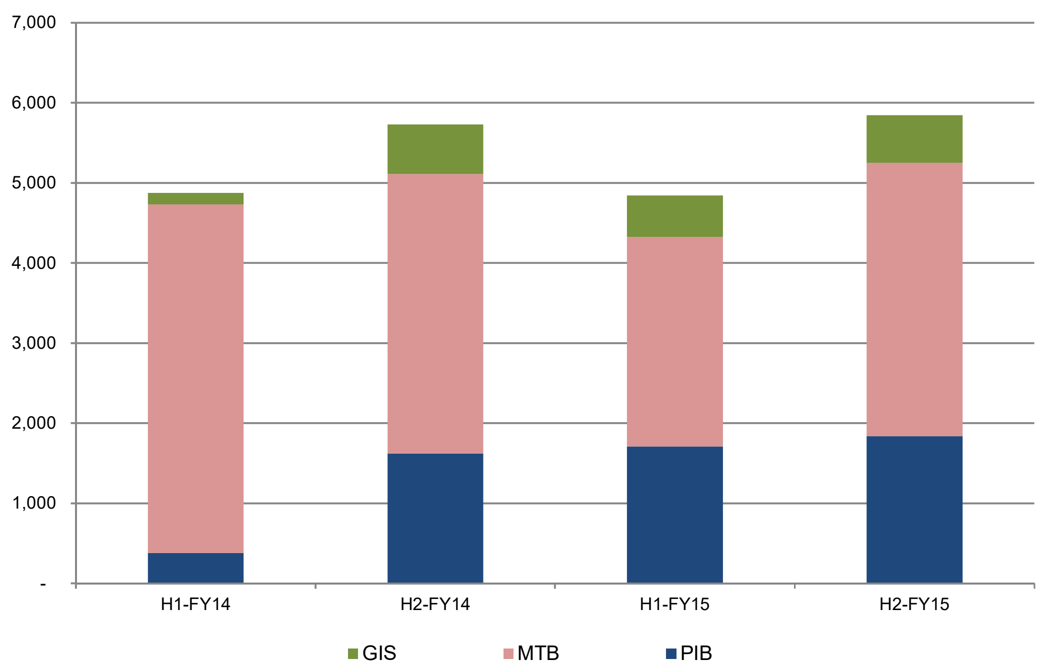
Table-7: Secondary Market Outright Trading Volume

(Rs. in billion)			
Security	**2013**	**2014**	**2015**
MTB-3M	1,907	5,057	1,550
MTB-6M	3,159	1,128	2,156
MTB-12M	4,166	1,657	2,325
PIB-3Y	328	1,030	1,751
PIB-5Y	367	430	742
PIB-10Y	320	506	1,014
PIB-20Y	11	35	34
Sukuk-3Y	386	761	1,110
Total	**10,644**	**10,604**	**10,682**
End Period Stock	**4,932**	**5,429**	**6,955**
Turnover	**2.16**	**1.95**	**1.54**

Source: State Bank of Pakistan

3.10 Trading activity in the secondary market usually follows the issuance pattern in primary auctions of government securities. There was marked shift in share of PIBs in overall trading volume from second half of 2013-14. The market started to invest in medium to long term securities due to expectation of decrease in interest rate. The outlook about interest rates prompted banks and institutional investors to substitute their investment in MTBs with PIBs. This shift in investment behavior also contributed in enhancing the share of PIBs in overall secondary market trading volume in second half 2013-14 and continued in 2014-15 (Refer Fig-10). However, increase in share of PIBs in overall trading volume was much less than the increase in share of PIBs in total outstanding stock due to buy and hold preference of the investors and limited base of non-bank investors.

Fig-10: Share of Government Securities in Overall Trading Volume (Rs in billion)



3.11 The major participants in the secondary market of tradable government securities are banks, corporate and mutual funds. Around 70 percent of the trading volumes in the secondary market are contributed by banks acting as primary dealers (PDs) and most of the trading takes place among the banks. Currently, there are twelve PDs (11 banks and 1 DFI) which act as market makers in the secondary market and play important role in distribution of government securities. Trading in the secondary market is mainly "Over the Counter" through brokers, Bloomberg Electronic Bond Trading Platform and electronic messaging platform like Reuters.

Repo Market:

3.12 The repo market in Pakistan continued to have a major share in security based transactions in the secondary market, covering 57 percent trading (by volume) during the 2014-15 (refer Table-8). In Repo market, more than 74 percent of the volumes were traded in the overnight tenor and most of these transactions were based on short term instruments.

Table-8: Government Security based Transactions

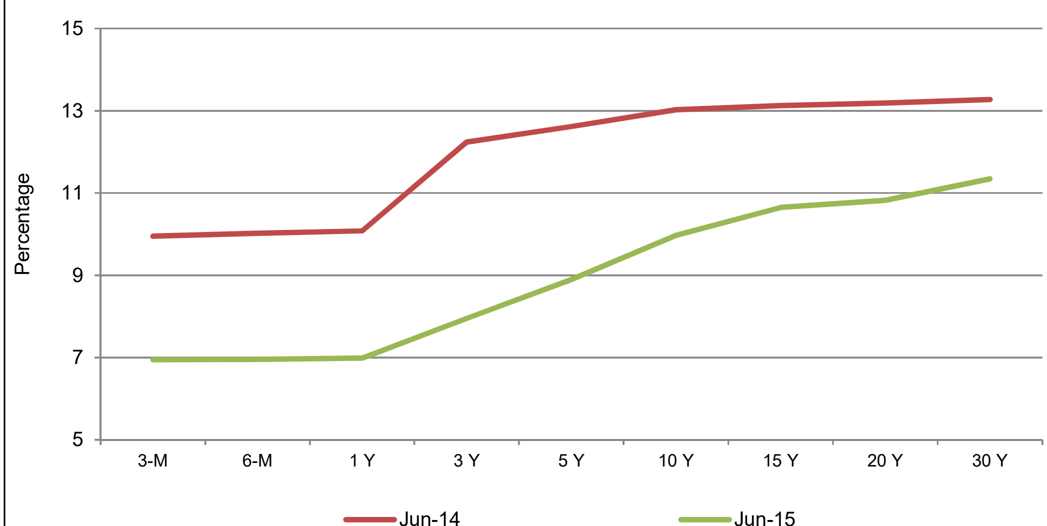
Type	Volume (Rs. in billion)			Percentage Share		
	2013	2014	2015	2013	2014	2015
Repo	12,980	14,374	14,138	55	58	57
Outright	10,644	10,604	10,682	45	42	43
Total	**23,624**	**24,978**	**24,820**	**100**	**100**	**100**

Source: State Bank of Pakistan

Yield Curve Trend:

3.13 Looking at the secondary market yield curve, it is evident that the secondary market rates responded to the cut in policy rate by SBP, a cumulative cut of 300 bps in 2014-15. Moreover, the term premium between 3-M and 12-M MTBs remained negligible, which kept short end of the yield curve flat (see Fig-11). The significant change as compared to previous year was rationalization of term premium between 12-M MTBs and 3-year PIBs.

Fig-11: Secondary Market Yield Curve



Expectations for 2015/16 - 2018/19 from Domestic Sources

3.14 The domestic market shall remain the main source of funding to finance the fiscal deficit and for refinancing of existing domestic debt. Government of Pakistan intends to continue building liquid benchmarks across the yield curve with a transparent issuance policy that will define the number of benchmark securities, range of issue sizes, as well as information in advance of the market in terms of volume and frequency of issues.

3.15 Financial institutions, mainly banks, will continue to remain the main supplier of domestic financing to the government over the medium term. The banking sector witnessed average asset growth of 14.4 percent during last five years. Assuming the similar growth over the medium term, the banks are expected to fund the financing needs of the government without impacting private sector credit. At the assumed growth rate and given the future financing requirements of the government, the banks will continue to finance the government requirements i.e. the financing requirements of the government from banking sector is expected to be much lower than their projected deposit growth. The focus will be placed on the medium to longer dated instruments of 3, 5, 10 and 20 years with the view of lengthening maturities of domestic debt over the medium term.

3.16 Within non-banking sector, most of the incremental proceeds are expected to be mobilized through NSS. Government is taking various steps to increase mobilization from non-banking sector. In order to encourage retail investment in government securities, the government has already listed debt securities on the stock exchanges with the aim to strengthen the debt capital market, creating a competitive environment and widening the investor base. The government is also considering revision in the current settlement model to promote trading in the government debt securities i.e. the current settlement system will be further refined through elimination of practical difficulties and regulatory changes which will facilitate retail investors in trading government securities at the stock exchanges. The ultimate aim is to utilize the stock exchanges for primary market / auction of the government debt securities to enable wider outreach and improve participation of retail segment.

3.17 NSS is the main source of non-inflationary and non-bank borrowings to finance the fiscal deficit. Product basket of NSS ranges from one month to ten years to cater the investment needs of retail investors i.e. small savers, senior citizens, widows, pensioners etc. As at end June-2015, the share of main product basket including Special Savings Certificate / Account, Behbood Savings Certificate, Regular Income Certificate, Defense Saving Certificate and Pensioner Benefit

Account in NSS stock was 29 percent, 21 percent, 12 percent, 10 percent and 7 percent, respectively.

3.18 Prize Bonds made up 17 percent of NSS Stock. In the light of last 5 years historical data, share of the schemes may depict similar trend in future. However, due to the fact that the maximum deposit limit of Behbood Savings Certificates and Pensioner Benefit Accounts have been enhanced with effect from 1st July, 2015 (Rs.3 million to Rs.4 million for each eligible investor), the share of these schemes may slightly increase in total stock of NSS. It is expected that the government will be able to mobilize (net of retirement) Rs.300 to Rs.350 billion from NSS over the medium term.

3 (ii) External Sources

3.19 External sources mainly include loans from multilateral and bilateral development partners, issuance of bonds in the international capital markets and raising of short term external loans. During 2014-15, the government mobilized $ 7.7 billion from external sources and repaid $ 3.5 billion against external public debt. The inflows from bilateral sources recorded an increase during 2014-15 while inflows from multilateral sources recorded a slight decline. The increase from bilateral creditors largely owes to the provision of support for energy related projects by China during 2014-15. Inflows from multilateral sources mainly included: (i) financing from ADB for infrastructure and social sector development; (ii) financing from IDA was primarily for budgetary support; and (iii) borrowing from IDB was mostly done on short term basis under Murabaha arrangement. Government also mobilized $ 1 billion through issuance of Pakistan International Sukuks.

3 (iii) Pakistan's Link with International Capital Market

3.20 Pakistan's international Eurobonds have traded well since issuance and levels have remained relatively stable since the start of 2015, other than intermittent impact for broad based market wide volatility. Pakistan's 2016s, 2017s, 2019s, 2024s bonds have broadly traded at a premium since May 2014 and CDS levels, though volatile, have been on a downward trajectory. As illustrated by these levels and Pakistan's issuance of international bonds and Sukuk since 2014 after a gap of 7 years, markets are accessible with investor appetite in the frontier market credit like Pakistan.

Global and Emerging Market ("EM") Credit

3.21 Capital markets have been impacted lately by events of a global nature. Despite such risks around a fragile geopolitical backdrop, falling oil prices and slower Chinese growth, there is expected to be considerable scope for new debt issuance opportunities. Given recent improvement in employment numbers in the US, there is more expectation of a Fed rate hike which could impact global capital markets.

Table-9: Secondary Trading Levels:

Bond	Ratings			Maturity	Size	Coupon (%)	Price	Yield (%)
	M	S&P	F		($ in million)			
EM Sovereign Bonds								
Pakistan	B3	B-	--	Mar-16	500	7.13	101.7	3.10
Pakistan	B3	B-	--	Jun-17	750	6.88	104.0	4.28
Pakistan	B3	B-	--	Apr-19	1,000	7.25	104.7	5.73
Pakistan (Sukuk)	B3	B-	--	Dec-19	1,000	6.75	104.7	5.44
Pakistan	B3	B-	--	Apr-24	1,000	8.25	107.5	7.06
Pakistan	B3	B-	B	Sep-24	1,000	8.25	106.5	7.32
Pakistan	B3	B-	--	Mar-36	300	7.88	96.2	8.26

Source: Bloomberg, October 2015

Fig-12: CDS Levels for Pakistan – 5 Years:

Source: Bloomberg, October 2015

Fig-13: Bond Trading Levels:

Source: Bloomberg, October 2015

Expectations for 2015/16 - 2018/19 from External Sources

3.22 Government intends to secure external financing from multilateral, bilateral and financial markets over the medium term keeping in view cost risk tradeoffs. The share of external public debt was 28 percent of total public debt as at end June, 2015. There is an inherent exchange rate risk associated with the debt denominated in foreign currency, however, it is mitigated by concessional element (low cost and long tenors) i.e. the cost of adverse currency movements and existing external debt rates is still lower than the cost of domestic debt by approximately 5.3 percent over the last five years. Accordingly, policy of the government is to borrow more through these channels.

3.23 Government intends to continue its partnership with international development partners to take advantage of concessional / semi-concessional funding. Disbursement of project based loans is dependent on the implementation capacity and efficiency of the implementing entity. It is expected that as a result of special attention to enhance the project implementation process, project based disbursements is expected to increase over the medium term. Policy based funding is linked with the macroeconomic stability. The structural reforms initiated by the government are producing results and expected to increase macroeconomic stability. With improved macroeconomic indicators coupled with enhancing the pace of project implementation process, disbursement from multilateral and bilateral creditors is expected to increase in the medium term.

3.24 Government of Pakistan plans to maintain its presence in international capital market over the medium term. Eurobonds have great significance for Pakistan as it enable the country to announce its presence in international capital market and helps in building country's reserves, which have paved the way for exchange rate stability. Further, the resources mobilized through the Eurobonds have been used to retire the expensive domestic debt in the past. Therefore, government intends to mobilize $1,000 million in 2015-16 and thereafter $500 million in 2016-17 and 2017-18. In 2018-19, the government plans to issue $2,000 million Eurobonds to refinance its maturing Eurobonds. Government will retain the flexibility in terms of timing, size, interest rate type, maturity and repayment structure keeping in view cost and risk considerations.

3.25 Government also plans to obtain short term loans from IDB and commercial banks over the medium term primarily for imports. It is anticipated that average yearly external inflows would be around $ 6.5 billion with expected annual average outflows of $ 4 billion (based on outstanding as on June 30, 2015) in the medium term i.e. inflows are expected to be sufficient to meet outflows. The estimates of external flows are given in table below:

Table-10: Estimated External Inflows ($ in million)

	2015-16	2016-17	2017-18	2018-19
Eurobonds	1,000	500	500	2,000
Commercial	585	300	300	300
IDB/ITFC	1,137	1,137	500	500
Program Loans	**2,550**	**1,850**	**1,950**	**1,000**
- World Bank	1,000	500	600	-
- ADB	550	350	350	-
- SAFE China Deposits	1,000	1,000	1,000	1,000
Project Loans	**2,497**	**2,851**	**2,646**	**2,156**
Total	**7,769**	**6,638**	**5,896**	**5,956**

Source: External Finance Wing, Finance Division

3.26 Keeping in view the balance of payment requirements and existing maturity profile of external public debt portfolio, preference will be given to foreign currency funding in US Dollar over other foreign currencies.

4.0 Medium Term Macroeconomic Framework

4 (i) Macroeconomic Assumptions

4.1 Over the medium term, overall macroeconomic environment appears positive for the country. Outlook of external account is stable, fiscal account is expected to improve significantly, inflation is expected to remain below the target and global commodity prices are likely to remain at lower level. In addition, following developments seems beneficial for overall economy and for the country:

- China Pakistan Economic Corridor (CPEC) offers opportunity to overcome the energy crisis, increasing power generation capacity and fulfilling the electricity needs of the country which may prove beneficial for the economy;
- The membership of Shanghai Cooperation Organization is expected to provide Pakistan an easy access to a large market for its exports and attract investments in the energy and infrastructure sector;
- The eventual lifting of international sanctions on Iran may allow Pakistan to improve its bilateral trade with the country and pursue energy sector related needs;
- Improved security situation coupled with sound economic policies of the government is expected to boost the economic growth in the medium term.

4.2 GDP growth is expected to increase to 5.5 percent during 2015-16 from 4.2 percent in 2014-15, supported by ongoing activities in services and construction, lower commodity prices, expected improvements in the supply of gas and electricity and an improving investment climate. In the medium term, targets set for real GDP growth are 6.5 percent in 2016-17, 7.0 percent in 2017-18 and 2018-19 with more focus on industrial and services sectors. The focus is also on providing better security conditions and business friendly environment in order to increase the investment to GDP ratio from around 15 percent at present to 20 percent in the medium term. Likewise, the government is determined to contain fiscal deficit to 3.5 percent of GDP over the medium term.

Table-11: Macro-Economic Indicators

	2014/15	2015/16	2016/17	2017/18	2018/19
GDP growth percent (fc)	4.2	5.5	6.5	7.0	7.0
Consumer priceindex (annual change) percent	4.5	6.0	6.0	6.0	6.0
Current account deficit (Percent of GDP)	(1.0)	(0.7)	(0.8)	(0.8)	(0.9)
Gross official reserves ($ billion)	15.0	19.7	23.5	27.1	27.8
- in month of imports	3.7	4.7	5.4	5.9	5.7
		(In percent of GDP)			
Total Revenues	14.4	15.1	15.0	15.3	15.5
- Tax revenues	11.0	12.0	12.5	13.0	13.5
Expenditure	19.7	19.4	19.0	18.8	19.0
- Current	15.5	14.9	14.6	14.2	14.4
- Development	4.2	4.5	4.4	4.6	4.7
Fiscal Balance	(5.3)	(4.3)	(4.0)	(3.5)	(3.5)

Source: Government of Pakistan

4.3 External sector has become more stable mainly on back of growth in remittances, continued support from international financial institutions and decline in global commodity prices. The outlook of trade balance is optimistic over the medium term due to the upcoming developments in the energy sector as well as trade partnerships with regional countries. The country's foreign exchange reserves have crossed $ 20 billion, all time high, with a capacity to finance over 5 months of the country's import bill. The current account deficit is expected to remain below 1 percent of GDP till 2018/19. The significant development on external account is the continuing increase in remittances inflows with measures in place to enhance it further e.g. the government has introduced Telegraphic Transfer Scheme which is offered free of cost. Pakistan Remittances Initiative (PRI) has also been started to facilitate faster, cheaper, convenient and efficient flow of remittances. The external sector improvement is fundamental in maintaining exchange rate stability and helps mitigating global risk perception of the Pakistan.

4.4 The CPI inflation for 2015-16 is likely to remain below the target of 6 percent for the year. The prudent monetary and fiscal policies along with monitoring of prices and better supply arrangements are expected to contain the inflation at 6 percent till 2018-19.

4.5 Fiscal policy is an important component of macroeconomic management. Government is introducing additional revenue mobilization measures along with strengthening the administrative controls led by rationalization of taxation system which is expected to improve FBR tax collection in the medium term. It is expected to progressively raise the total revenue from 14.4 percent of GDP in 2014-15 to 15.5 percent in 2018-19. Government is also improving tax collection system, broadening tax base, rationalization of concessionary regime, withdrawal of exemptions, tax payer facilitation, strengthening of tax audit, simplifying tax rules, making tax procedures transparent, ensuring tax compliance, reforming customs administration and adopting equitable taxation regime. Through effective implementation of these measures, the tax to GDP ratio is expected to increase from 11 percent in 2014-15 to 13.5 percent by the end of 2018-19. The government's fiscal policy measures are projected to yield a gradual improvement in the fiscal deficit from its current level of 5.3 percent to 3.5 percent in 2018-19. The improving fiscal outlook would help contain the government's financing needs over the medium term.

4.6 In medium term, it is important to continue promoting structural reforms in order to increase the potential economic growth. The government aims at economic restructuring through measures such as revenue mobilization, rationalizing expenditure, revitalizing the key public sector enterprises and resolving energy sector issues to ensure sustainable growth. The resultant economic growth is expected to contain the future fiscal deficits. The expected increased external financing along with curtailed current account deficit will reduce pressure on foreign exchange reserves over the medium term.

4 (ii) Risks Associated with the Macroeconomic Indicators

4.7 The estimates of key economic indicators are prone to certain risks and vulnerabilities that could cause deviations from the projections. An adverse security situation along with impeding energy shortage, high fiscal deficit, rise in inflation and inefficient public sector enterprises could peg back the growth projections.

4.8 A slowdown in economy can impact revenue mobilization, create pressure on the government's resources through increased subsidies, thereby widening the fiscal deficits. More than projected fiscal deficits can increase the country's borrowing requirements, thereby raising the public debt which can be translated into higher debt servicing. Moreover, inefficient public sector entities could further expose the economy to rising contingent liabilities carrying the impediment for such liabilities to be consolidated into public debt.

4.9 Reduction in external inflows can depreciate the rupee leading to rising import bills and increasing inflation. This can also cause a shift in the funding strategies from external to the domestic markets carrying the risk of lowering private sector credit and rising domestic interest rates. The lack of structural reforms in the economy (as discussed in above paragraphs) can slow down the exports causing a widening current account deficit which may hamper the growth and foreign exchange reserves and put pressure on the country's exchange rates stability. In addition, reduction in foreign direct investment and a potential curtailment of the donors' loans can pose balance of payments issues.

4.10 All the above mentioned macroeconomic risks can hamper the baseline assumptions, however, the likelihood of such occurrence is low. Any adverse deviation from the baseline scenario may increase the financing requirements of the government which may be generated mainly through domestic sources.

5.0 Analysis and Strategic Guidelines

5.1 The strategic guidelines for managing the public debt reflect the cost risk tradeoffs in the current debt portfolio. While declining significantly compared to last two fiscal years, the exposure to refinancing and interest rate risk still remains for the existing public debt portfolio. The share of external debt has declined to 28 percent in 2014-15 as compared with 33 percent at the end of last fiscal year. Accordingly, government is aiming to reduce its refinancing and interest rate risks and mobilize sufficient external inflows in the medium term.

5.2 Macroeconomic projections indicate a declining public debt to GDP ratio with declining funding needs while expected low inflation together with relatively stable exchange rate may facilitate the extension of maturities for government securities in domestic currency and lower cost for external financing. Based on these considerations, the government evaluated financing alternatives that will help reducing the exposure to refinancing and interest rate risks and increase the financing from external sources. Two approaches were evaluated to check the possibility of reducing the refinancing and interest rate risks of domestic debt portfolio: (1) balanced approach: mobilization more through medium to longer tenor domestic debt instruments along with the residual funding financed through short term domestic debt instrument; (2) aggressive mobilization through medium to long tenor domestic debt instrument with minimal reliance on short term instruments. In addition, to examine cost risk tradeoffs, other borrowing strategies such as more reliance on short term domestic debt instrument along with mobilization of less than external projected external funding as well as external funding with different composition were evaluated.

5.3 Alternative funding strategies were compared based on the projections of debt service under different scenarios of exchange rates and interest rates. The baseline scenario was used to calculate the expected cost of the different strategies. Risk was measured as the increase in cost resulting from applying shocks to the market rates used in the baseline scenario. Two indicators of cost and risk were used: debt / GDP and interest / GDP, both calculated at the end of the fourth projection year 2018-19. The results of the cost-risk analysis are then complemented by domestic market development and macroeconomic considerations.

5 (i) Results from Alternate Strategies

Extension of Average Time to Maturity (ATM) in Domestic Debt

5.4 Government intends to focus on extension of average time to maturity of its domestic debt. Addressing the refinancing exposure in domestic debt using more medium to longer tenor instruments seems to be more favorable considering the lower level of yields of government securities over the medium term. Under such circumstances, the cost of extending the incremental ATM is relatively smaller in terms of debt to GDP and interest to GDP. Accordingly, the analysis supports the strategies that raise ATM as the increase in cost is relatively smaller compared to improvement in maturity profile and protection offered against increase in interest rate.

More External Flows Supplementing Short Term Domestic Debt

5.5 With the improvement in macroeconomic environment, the aim is to attract maximum external flows which would support the balance of payment position of the country as well as bring exchange rate stability. Additionally, if ample external flows would be available, this would help in refinancing the short term domestic debt. Further, increasing external debt in the medium term as per the projected flows does not pose significant risk since proportion of external debt in total public debt portfolio was only 28 percent as at end June, 2015.

Composition of External Debt

5.6 Keeping in view the balance of payment requirements and existing external debt obligations, the preference is given to mobilize more funding in US Dollar from international development partners (concessional / semi-concessional sources) and international capital markets. Since Pak Rupee is more closely linked with US Dollar and any depreciation of Pak Rupee against US Dollar may cause increase in external debt obligations and stock, exchange rate stability contribute positively on external debt portfolio in the medium term. Therefore, increased mobilization from external sources in US Dollar is preferred over the medium term.

5 (ii) Indicative Ranges over Medium Term

5.7 Based on the strategic guidelines and analysis of alternative strategies, following are the indicative ranges for the key financial risk indicators that reflect the desired composition of public debt portfolio:

Table-12: Ranges for Key Risk Indicators

Risk Exposure	Indicators	Indicative range for 2016-2019
Currency Risk	Share of external debt in total government public debt	20% (minimum) and 35%
Refinancing Risk	Domestic Debt maturing in 1 year (% of total)	50% and 65% (maximum)
	Public Debt maturing in 1 year (% of total)	35% and 50% (maximum)
	ATM of Domestic Debt (Years)	1.5 (minimum) and 2.5
	ATM of Public Debt (Years)	3.0 (minimum) and 4.5
Interest Rate Risk	Domestic Debt re-fixing in 1 year (% of total)	50% and 65% (maximum)
	Public Debt re-fixing in 1 year (% of total)	40% and 55% (maximum)
	ATR of Domestic Debt (Years)	1.5 (minimum) and 2.5
	ATR of Public Debt (Years)	3.0 (minimum) and 4.5

5.8 The implementation of the strategy (2015/16 - 2018/19) will be monitored on semi-annual basis. The strategy will be reviewed whenever market conditions and / or financing needs require.

Table:1 - Pakistan Public Debt

Annex - I

(2010-2015)						
Rs. in billion	**2010**	**2011**	**2012**	**2013 (P)**	**2014 (P)**	**2015 (P)**
Domestic Debt	4,654.3	6,016.7	7,638.1	9,521.9	10,920.0	12,198.9
External Debt	4,351.9	4,750.2	5,057.2	4,796.5	5,071.5	5,181.8
Total Public Debt	**9,006.2**	**10,766.9**	**12,695.3**	**14,318.4**	**15,991.5**	**17,380.7**
(In percent of GDP)						
Domestic Debt	31.3	32.9	38.1	42.5	43.6	44.5
External Debt	29.3	26.0	25.2	21.4	20.2	18.9
Total Public Debt	**60.6**	**58.9**	**63.3**	**64.0**	**63.8**	**63.5**
(In percent of Total Debt)						
Domestic Debt	51.7	55.9	60.2	66.5	68.3	70.2
External Debt	48.3	44.1	39.8	33.5	31.7	29.8
Memo:						
External Debt (US$ in billion)	50.9	55.3	53.5	48.1	51.3	50.9
Exchange Rate (Rs./US$, End of Period)	85.5	86.0	94.5	99.7	98.8	101.8
GDP (Rs. in billion)	14,867	18,276	20,047	22,379	25,068	27,384

P: Provisional

Source: State Bank of Pakistan, Economic Affairs Division, Budget Wing and Debt Policy Coordination Office Staff Calculations

Table:2 - Domestic Debt

Annex - II

Rs.in billion	2010	2011	2012	2013 (P)	2014 (P)	2015 (P)
	(2010 - 2015)					
Permanent Debt	**797.7**	**1,125.6**	**1,696.9**	**2,179.2**	**4,005.3**	**5,016.0**
Market Loans	2.9	2.9	2.9	2.9	2.9	2.8
Government Bonds	7.2	0.7	0.7	0.7	0.7	0.7
Prize Bonds	236.0	277.1	333.4	389.6	446.6	522.5
Foreign Exchange Bearer Certificates	0.1	0.1	0.1	0.1	0.1	0.1
Bearer National Fund Bonds	0.0	0.0	0.0	0.0	0.0	0.0
Federal Investment Bonds	0.0	0.0	0.0	0.0	0.0	0.0
Special National Fund Bonds	0.0	0.0	0.0	0.0	0.0	0.0
Foreign Currency Bearer Certificates	0.0	0.0	0.0	0.0	0.0	0.0
U.S. Dollar Bearer Certificates	0.0	0.0	0.0	0.0	0.0	0.1
Special U.S. Dollar Bonds	2.7	1.0	0.9	4.2	4.4	4.4
Government Bonds Issued to SLIC	0.6	0.6	0.6	0.6	0.6	0.6
Pakistan Investment Bonds (PIB)	505.9	618.5	974.7	1,321.8	3,223.5	4,158.3
Government Bonds issued to HBL	-	-	-	-	-	-
GOP Ijara Sukuk	42.2	224.6	383.5	459.2	326.4	326.4
Floating Debt	**2,399.1**	**3,235.4**	**4,143.1**	**5,196.2**	**4,610.9**	**4,612.6**
Treasury Bills through Auction	1,274.1	1,817.6	2,383.4	2,921.0	1,758.6	2,331.3
Rollover of Treasury Bills discounted SBP	0.5	0.5	0.5	0.5	0.5	0.5
Treasury Bills purchased by SBP (MRTBs)	1,124.4	1,417.3	1,759.2	2,274.7	2,851.8	2,280.9
Bai Muajjal	-	-	-	-	-	-
Unfunded Debt	**1,457.5**	**1,655.8**	**1,798.0**	**2,146.5**	**2,303.8**	**2,570.3**
Defence Savings Certificates	224.7	234.5	241.8	271.7	284.6	300.8
Khas Deposit Certificates and Accounts	0.6	0.6	0.6	0.6	0.6	0.6
National Deposit Certificates	0.0	0.0	0.0	0.0	0.0	0.0
Savings Accounts	17.8	17.2	21.2	22.3	22.6	26.4
Mahana Amadni Account	2.2	2.1	2.0	2.0	1.9	1.8
Postal Life Insurance	67.1	67.1	67.1	67.1	67.1	67.1
Special Savings Certificates and Accounts	470.9	529.1	537.4	734.6	738.8	867.5
Regular Income Scheme	135.6	182.6	226.6	262.6	325.4	376.0
Pensioners' Benefit Account	128.0	146.0	162.3	179.9	198.4	214.1
Bahbood Savings Certificates	366.8	428.5	480.8	528.4	582.4	628.3
National Savings Bonds	3.6	3.6	3.6	0.2	0.2	0.1
G.P. Fund	39.9	44.3	54.6	73.1	80.5	85.8
Short Term Saving Certificate	-	-	-	4.0	1.3	1.7
Total Domestic Debt	**4,654.3**	**6,016.7**	**7,638.1**	**9,521.9**	**10,920.0**	**12,198.9**

P: Provisional

Source: State Bank of Pakistan, Budget Wing and Debt Policy Coordination Office Staff Calculations

Table:3 - External Debt and Liabilities (EDL)

Annex - III

(US$ in billion)	2010	2011	2012	2013 (P)	2014 (P)	2015 (P)
	(2010 - 2015)					
1. Public and Publically Guaranteed Debt	**43.1**	**46.5**	**46.4**	**44.4**	**49.0**	**47.8**
i) Public Debt	**42.9**	**46.4**	**46.2**	**43.8**	**48.4**	**46.9**
A. Medium and Long Term(>1 year)	**42.1**	**45.7**	**45.6**	**43.5**	**47.7**	**45.8**
Paris Club	14.0	15.5	15.0	13.5	13.6	11.7
Multilateral	23.7	25.8	25.3	24.2	25.8	24.3
Other Bilateral	1.8	1.9	2.5	2.9	3.4	3.9
Euro Bonds/Saindak Bonds	1.6	1.6	1.6	1.6	3.6	4.6
Military Debt	0.2	0.1	0.1	0.1	0.0	-
Commercial Loans/Credits	-	-	-	-	0.2	0.3
Local Currency Bond (PIBs)	0.0	0.0	-	0.0	0.0	0.0
Saudi Fund for Development (SFD)	0.2	0.2	0.2	0.2	0.1	0.1
SAFE China Deposits	0.5	0.5	1.0	1.0	1.0	1.0
NBP/BOC Deposits	0.2	0.1	-	-	-	-
B. Short Term (<1 year)	**0.9**	**0.6**	**0.5**	**0.3**	**0.7**	**1.0**
Commercial Loans/Credits				-	0.2	-
Multilateral	0.8	0.6	0.5	0.3	0.4	1.0
Local Currency Securities (T-Bills)	0.1	0.0	0.0	0.0	0.1	0.0
ii) Publicly Guaranteed Debt	**0.2**	**0.1**	**0.2**	**0.6**	**0.5**	**1.0**
A. Medium and Long Term(>1 year)	**0.2**	**0.1**	**0.2**	**0.6**	**0.5**	**1.0**
Paris Club	-	-	-	-	-	-
Multilateral	0.1	0.0	0.0	0.0	0.0	0.0
Other Bilateral	0.0	0.0	0.2	0.6	0.5	1.0
Commercial Loans/Credits	0.1	-	-	-	-	-
Saindak Bonds	-	-	-	-	-	-
B. Short Term (<1 year)	-	-	-	-	-	-
IDB	-	-		-	-	-
2. Private Sector Debt	**3.8**	**4.4**	**3.6**	**3.1**	**3.0**	**3.0**
3. Public Sector Enterprises (PSEs) Debt	**1.4**	**1.3**	**1.3**	**1.2**	**1.7**	**1.4**
4. IMF	**8.1**	**8.9**	**7.3**	**4.4**	**3.0**	**4.1**
of which Central Govt.	1.1	2.0	1.9	1.5	0.9	0.1
Monetary Authorities	7.0	6.9	5.4	2.9	2.1	4.1
5. Banks	**0.7**	**1.1**	**1.8**	**1.6**	**2.0**	**2.3**
Borrowing	0.2	0.4	0.9	0.7	1.1	1.3
Nonresident Deposits (LCY & FCY)	0.6	0.7	1.0	0.8	0.9	1.0
6. Debt liabilities to direct investors - Intercompany debt	**1.9**	**1.6**	**2.7**	**3.1**	**3.4**	**2.7**
Total External Debt (1 through 6)	**59.0**	**63.8**	**63.1**	**57.8**	**62.1**	**61.4**
7. Foreign Exchange Liabilities	**2.6**	**2.6**	**2.4**	**3.1**	**3.3**	**3.7**
SBP Deposits	1.1	1.0	0.9	0.8	0.7	0.7
SDR Allocation	1.5	1.6	1.5	1.5	1.5	1.4
Others	0.0	0.0	0.0	0.8	1.1	1.6
Total External Debt & Liabilities (1 through 7)	**61.6**	**66.4**	**65.5**	**60.9**	**65.4**	**65.1**
(of which) Public Debt	**50.9**	**55.3**	**53.5**	**48.1**	**51.3**	**50.9**
Official Liquid Reserves	13.0	14.8	10.9	6.0	9.1	13.5
Memo:						
GDP (in billions of Rs.)	14,867	18,276	20,047	22,379	25,068	27,384
Exchange Rate (Rs./US$, Period Avg.)	83.8	85.5	89.2	96.7	102.9	101.5
Exchange Rate (Rs./US$, EOP)	85.5	86.0	94.5	99.7	98.8	101.8
GDP (in billions of US dollars)	177	214	225	231	244	270

P: Provisional

Source: State Bank of Pakistan, Economic Affairs Division and Debt Policy Coordination Office Staff Calculations