CHAPTER 09

Public Debt

9.1 Introduction

Effective debt management is essential for developing a viable and stable debt portfolio. It mitigates the risks of refinancing, exchange rate fluctuations and debt accumulation that could impede economic growth and stability. Prudent utilization of debt leads to higher economic growth and helps the government to accomplish its social and developmental goals. Unsustainable level of debt coupled with absence of prudent debt management strategy may plague economic growth due to heavy debt servicing requirement resulting in lower development expenditure. Given Pakistan's developing status, the need for effective debt management is of utmost importance as the country requires to borrow to enable its development agenda, accelerate the pace of economic growth without ignoring the intergenerational impact.

Similar to the last year's trend, composition of public debt further improved due to increased mobilization through medium to long term domestic debt instruments and higher disbursements from external sources. Some of the positive developments are as follow:

- The conducive economic environment coupled with supportive monetary policy provided opportunity for the government to reduce the interest rates on its wholesales debt instruments along with aligning the rates on retail debt instruments with the market yields. As a result, the cost of domestic borrowing is expected to reduce in the coming years on account of new debt issuance/rollover of existing debt. Furthermore, the weighted average interest rate on government domestic debt portfolio has been reduced to single digit;
- Government updated its Medium Term Debt Management Strategy 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 critical consideration in debt management is the sustainability analyses for which various indicators have been designed. Major debt sustainability indicators have improved in the last two fiscal years, a fact that is acknowledged by global stakeholders;
- Government's vision is to further reduce the statutory debt limit from existing 60 percent to 50 percent of GDP in 15 years, starting from 2018-19 and to limit statutorily the federal fiscal deficit to 4 percent through introduction of an amendment bill in the Parliament for necessary changes in the Fiscal Responsibility and Debt Limitation Act;
- Government has started revamping its debt management function and taking advantage of numerous opportunities to diversify its public debt portfolio. It should lead to savings and more effective decision making for government borrowing.

9.2 Public Debt

The portion of total debt which has a direct charge on government revenues as well as the debt obtained from the IMF is defined as public debt. Pakistan's public debt has two main components, namely domestic debt (which is incurred principally to finance fiscal deficit) and external debt (which is raised primarily to finance development expenditure). Each of these types of debt has its own benefits and drawbacks, with a trade-off between costs of borrowing and exposure to various types of risks that needs to be balanced in order to ensure sufficient and timely access to cost efficient funding.

Public debt was recorded at Rs.19,168 billion as at end March 2016 registering an increase of

Rs.1,787 billion during first nine month of current fiscal year. Out of this total increase, increase in domestic debt was Rs.1,200 billion while government borrowing from domestic sources for financing of fiscal deficit was Rs.786 billion. This differential is mainly attributed to increase in government credit balances with State Bank of Pakistan/commercial banks. Similarly, increase in external debt contributed Rs.588 billion to public debt. Apart from fresh external inflows, revaluation loss on account of depreciation of US Dollar against other international currencies as well as depreciation of Pak Rupee against US Dollar contributed to this increase. The trend in public debt since 1971 is depicted in Box-1.

Box-1 - Trend in Public Debt

Table-9.1: Year Wise Public Debt Position **(Rs. in billion)**

Year	Public Debt	Domestic Debt	External Debt	Year	Public Debt	Domestic Debt	External Debt	Year	Public Debt	Domestic Debt	External Debt
FY71	30	14	16	FY87	458	248	209	FY03	3,694	1,895	1,800
FY72	55	17	38	FY88	523	290	233	FY04	3,866	2,028	1,839
FY73	60	20	40	FY89	634	333	300	FY05	4,211	2,178	2,034
FY74	62	19	44	FY90	711	381	330	FY06	4,359	2,322	2,038
FY75	70	23	48	FY91	825	448	377	FY07	4,802	2,601	2,201
FY76	85	28	57	FY92	969	532	437	FY08	6,126	3,275	2,852
FY77	97	34	63	FY93	1,135	617	519	FY09	7,731	3,860	3,871
FY78	112	41	71	FY94	1,340	716	624	FY10	9,006	4,654	4,352
FY79	130	52	77	FY95	1,497	809	688	FY11	10,767	6,017	4,750
FY80	146	60	86	FY96	1,704	920	784	FY12	12,695	7,638	5,057
FY81	145	58	87	FY97	1,995	1,056	939	FY13	14,318	9,522	4,797
FY82	189	81	107	FY98	2,392	1,199	1,193	FY14	15,991	10,920	5,071
FY83	227	104	123	FY99	2,946	1,389	1,557	FY15	17,381	12,199	5,182
FY84	257	125	132	FY00	3,172	1,645	1,527	FY16 (Mar)	19,168	13,399	5,769
FY85	309	153	156	FY01	3,684	1,799	1,885				
FY86	390	203	187	FY02	3,636	1,775	1,862				

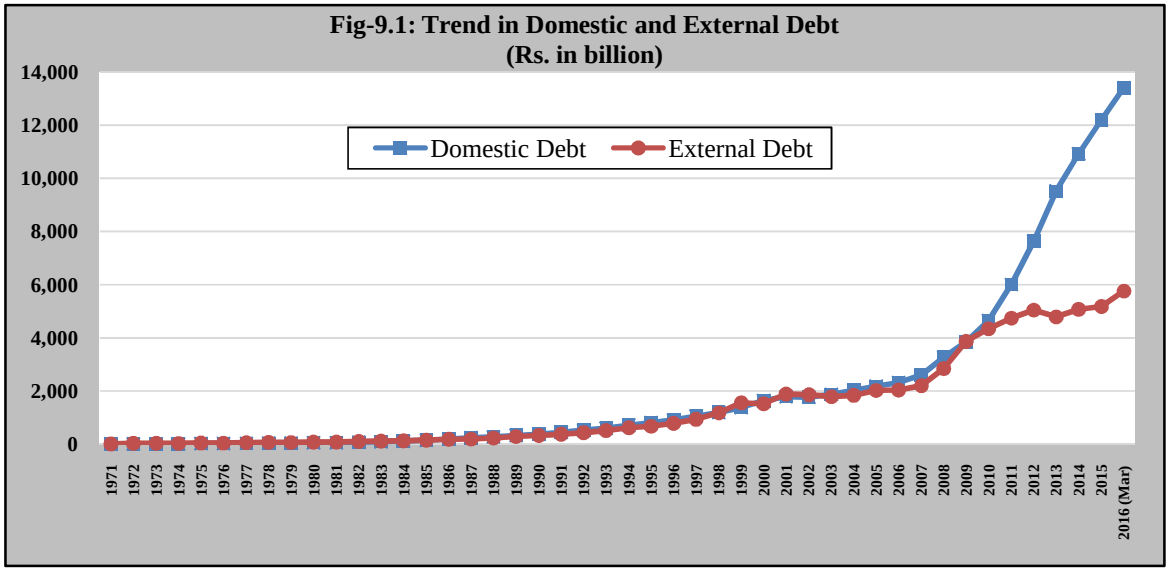

Table-9.2: Public Debt

	2010	2011	2012	2013	2014(P)	2015(P)	2016(P)*
(Rs. in billion)							
Domestic Debt	4,654.3	6,016.7	7,638.1	9,521.9	10,920.0	12,198.9	13,398.5
*Net Domestic Debt	4,581.0	5,773.0	7,674.8	9,494.0	10,387.0	12,172.1	12,970.9
External Debt	4,351.9	4,750.2	5,057.2	4,796.5	5,071.5	5,181.8	5,769.4
Total Public Debt	9,006.2	10,766.9	12,695.3	14,318.4	15,991.5	17,380.7	19,167.9
*Net Public Debt	8,932.9	10,523.2	12,732.0	14,290.5	15,458.5	17,353.9	18,740.4
(In percent of GDP)							
Domestic Debt	31.3	32.9	38.1	42.5	43.4	44.4	45.3
*Net Domestic Debt	30.8	31.6	38.3	42.4	41.3	44.3	43.8
External Debt	29.3	26.0	25.2	21.4	20.1	18.8	19.5
Total Public Debt	60.6	58.9	63.3	64.0	63.5	63.2	64.8
*Net Public Debt	60.1	57.6	63.5	63.8	61.4	63.1	63.3
Memo:							
External Public Debt (US$ in billion)	50.9	55.3	53.5	48.1	51.3	50.9	55.1
Exchange Rate (Rs./US$, End of Period)	85.5	86.0	94.5	99.7	98.8	101.8	104.8
GDP (Rs. in billion)	14,867.0	18,276.4	20,046.5	22,385.7	25,168.8	27,493.1	29,597.9

P:Provisional, *end-March, 2016

* Excluding impact of increase in credit balances of the government with SBP/Commercial Banks

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

An improvement was observed in most of the public debt risks indicators during last two fiscal years in-line with the objectives set forth in Pakistan's first Medium Term Debt Management Strategy (2013). The refinancing risk of the domestic debt reduced at the end of 2014-15 as 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 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 (Refer section 9.3 for details).

Government updated its Medium Term Debt Management Strategy (2015/16 - 2018/19) as the macroeconomic realities have changed since 2012-13 (Box 2). The purpose is to ensure that both the level and rate of growth in public debt is fundamentally sustainable while meeting cost and risks objectives.

Box-2 - Medium Term Debt Management Strategy (2016-19)

It is imperative to have a comprehensive debt management strategy aiming at debt sustainability and enhancing the debt servicing capacity of the country. Owing to its vital importance and indispensable nature, the government updated its Medium Term Debt Management Strategy which has 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.

The strategic guidelines for managing the public debt reflect the cost risk tradeoffs in the current debt portfolio. 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 projected external funding as well as external funding with different composition were evaluated.

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.

RESULTS FROM ALTERNATE STRATEGIES

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

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 rates.

More External Flows Supplementing Short Term Domestic Debt

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

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 the Medium Term

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, as below:

Table-9.3: 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

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One of the objectives of updated MTDS is to facilitate the development of debt capital market. A well-developed debt market for long term investment is essential for the growth of economy as it provides additional avenues for raising funds besides providing investment opportunities to the investors. In accordance with the commitment of the government to develop debt capital market, the government debt securities (T-bills, PIBs and Government Ijara Sukuk) are made available for

trading at the stock exchanges. Further, the government is taking various steps to provide an efficient and liquid secondary debt market to the investors (Box-3).

Box-3 - Development of Debt Capital Market

The Debt Securities Trustee Regulations:

The Debt Securities Trustee Regulations are being framed under the Securities Act, 2015 and will replace the existing Debt Securities Trustee Regulations, 2012.

The Bond Pricing Agency Rules, 2016:

The draft Bond Pricing Agency Rules, 2016 which provide for the establishment and orderly conduct of bond pricing agencies has been framed under the Securities Act, 2015 and have been notified in the official Gazette on March 24, 2016 for seeking public comments.

The Public Offering of Securities Rules:

In order to appropriately regulate the public offering of Securities (both equity and debt securities), the Securities and Exchange Commission of Pakistan has prepared the draft Public Offering of Securities Rules under the Securities Act, 2015.

The Credit Rating Companies Regulation 2015:

In order to appropriately regulate the Credit Rating Companies, the draft Credit Rating Companies Regulation has been framed under the Securities Act, 2015. The draft Credit Rating Company's Regulations have been published in the official Gazette of Pakistan on November 17, 2015 for eliciting public opinion. The Credit Rating Companies Regulation will replace the existing Credit Rating Companies Rules, 1995 and the Code of Conduct for Credit Rating Companies/Agencies.

The public debt analysis may be incomplete without reporting contingent liabilities. Contingent liabilities are not added to the overall debt of the country, therefore, public disclosure of information about guarantees is an essential component of fiscal transparency. Contingent liabilities of Pakistan are guarantees issued to Public Sector Enterprises (PSEs). During first nine months of current fiscal year, the government issued fresh/rollover guarantees aggregating to Rs.104 billion or 0.4 percent of GDP. The outstanding stock of government guarantees as at end March 2016 was recorded at Rs.663 billion.

9.3 Public Debt Risks Indicators - End June 2015

An improvement was observed in most of the public debt risk indicators during last two fiscal years as depicted in the table below:

Table-9.4: Public Debt Risk Indicators*

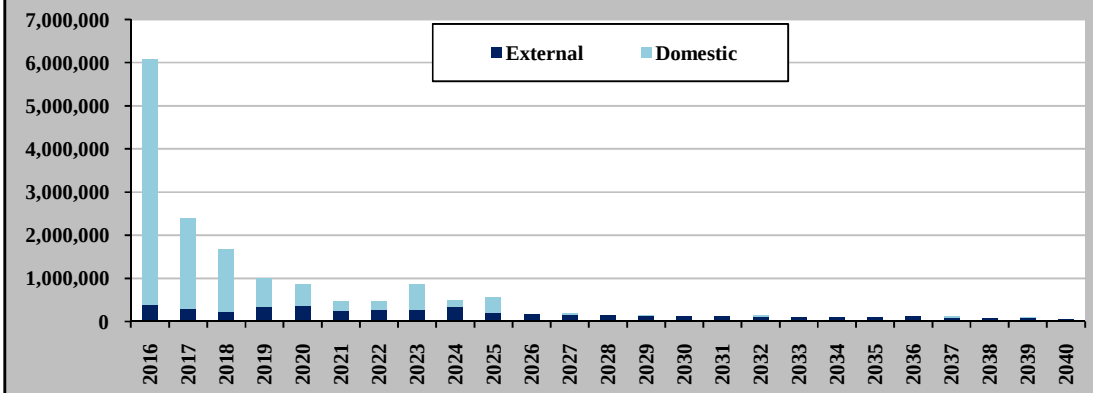
Risk Indicators		External Debt		Domestic Debt		Public Debt	
		2013	2015	2013	2015	2013	2015
Refinancing Risk	Average Time to Maturity (ATM) - Years	10.1	9.4	1.8	2.3	4.5	4.3
	Debt Maturing in 1 Year (% of total)	8.9	8.1	64.2	47.3	46.0	36.2
Interest Rate Risk	Average Time to Re-Fixing (ATR) - Years	9.2	8.6	1.8	2.3	4.2	4.1
	Debt Re-Fixing in 1 year (% 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
Foreign Currency Risk (FX)	Foreign Currency Debt (% of total debt)				32.9		28.3
	Short Term FX Debt (% of reserves)				68.5		27.9

Source: Debt Policy Coordination Office, Ministry of Finance
* As per modalities of MTDS

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. The redemption profile of domestic and external debt as at end June 2015 is shown in the graph below:

Fig-9.2: Redemption Profile of Public Debt at end June 2015 (Rs. in million)



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 government has been 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.

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.

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-9.5: Currency Wise Public Debt[(a)] (in US$)

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

[(a)]As per modalities of MTDS

Within external debt and adjusted for Special Drawing Rights (SDR), 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.

9.4 Dynamics of Public Debt Burden

The debt burden can be described with many parameters and there is no single threshold for debt ratios that can delineate the "bad" from the "good" e.g. debt burden can be expressed in terms of the stock ratio i.e. debt to GDP, external debt to GDP or flow ratios i.e. debt to revenue, external debt to foreign exchange earnings etc. The more important rule about limiting public debt growth must be expressed in relation to revenue growth. If the primary deficit is zero, the ratio of public debt to revenues will not grow as long as the rate of growth of debt does not exceeds the rate of growth of revenues. Similarly, if the growth in Foreign Exchange Earnings exceeds the growth in External Public Debt, the ratio of External Public Debt to Foreign Exchange Earnings will continue to decline.

Table-9.6: Selected Public Debt Indicators (in percentage)

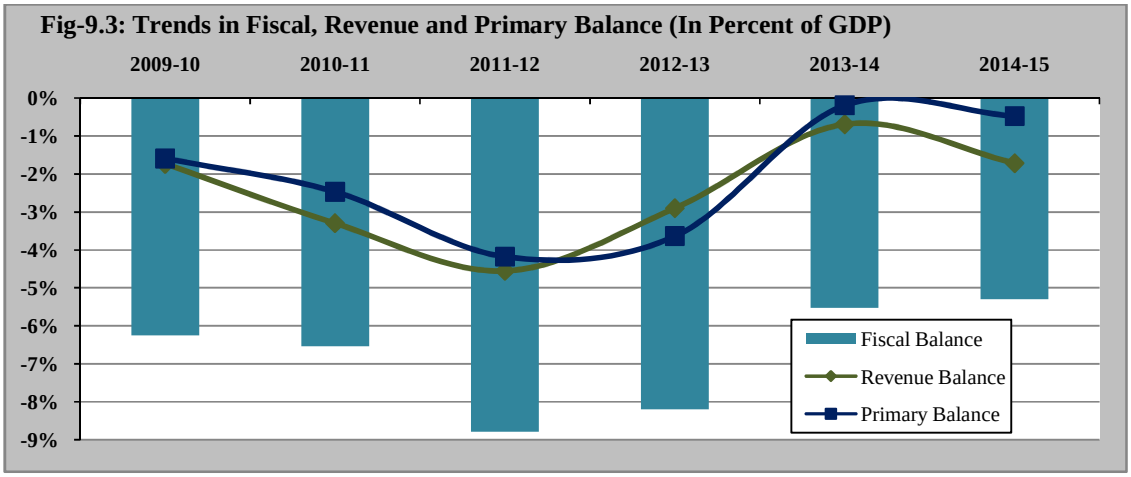
	2010	2011	2012	2013	2014	2015
Revenue Balance / GDP*	(1.7)	(3.3)[a]	(4.5)[b]	(2.9)[c]	(0.7)	(1.7)
Primary Balance / GDP*	(1.6)	(2.5)[a]	(4.2)[b]	(3.6)[c]	(0.2)	(0.5)
Fiscal Balance / GDP	(6.2)	(6.5)[a]	(8.8)[b]	(8.2)[c]	(5.5)	(5.3)
Public Debt / GDP	60.6	58.9	63.3	64.0	63.5	63.2
Public Debt / Revenue	433.4	477.9	494.7	480.1	439.7	442.1
Debt Service / Revenue	40.4	38.0	39.9	40.5	40.1	40.4
Debt Service / GDP	5.6	4.7	5.1	5.4	5.8	5.8

Source: Debt Policy Coordination Office Staff Calculations, Ministry of Finance
*Adjusted for grants
[a]includes arrears of electricity subsidies amounting to Rs.120 billion or 0.7 percent of GDP
[b]includes "one off" payment of Rs.391 billion on account of debt consolidation or 2 percent of GDP
[c] includes payment for the resolution of the circular debt amounting to Rs.322 billion or 1.4 percent of GDP

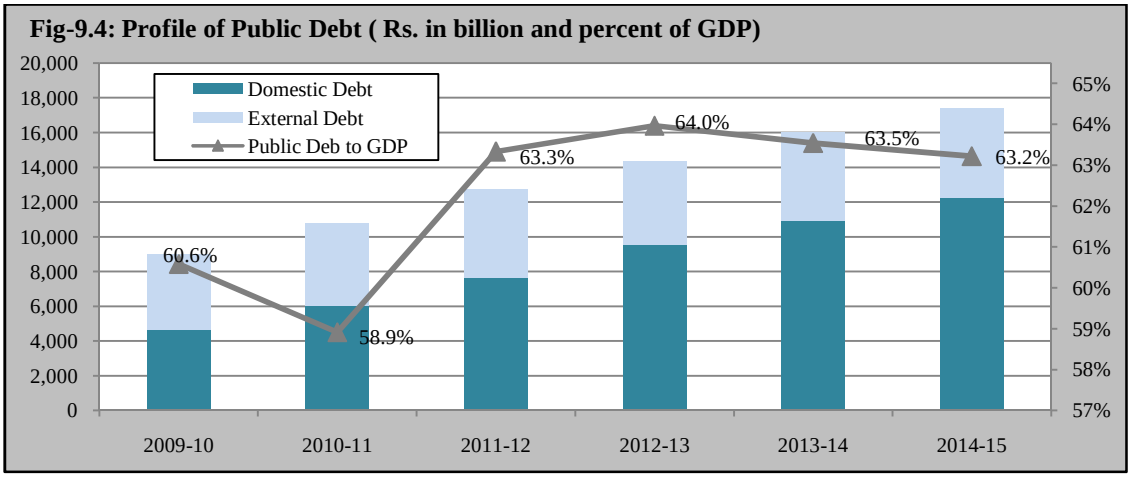
Revenue balance is the total revenues minus current expenditure. The persistence of revenue deficit indicates that the government is not only borrowing to finance its development expenditure, but partially to finance its current expenditure. Revenue deficit increased to 1.7 percent of GDP in 2014-15 as compared with 0.7 percent of GDP in 2013-14 due to higher growth in current expenditure (on account of one off expense of TDPs, security situation and floods) as compared with the growth in total revenues. During first nine months of current fiscal year, revenue deficit was recorded at Rs.425 billion or 1.4 percent of GDP.

Primary balance is the total revenues minus non-interest expenditure or fiscal balance net of interest payments. Primary balance is an indicator of current fiscal efforts since interest payments are predetermined by the size of previous deficits. Primary deficit improved significantly in 2013-14 and recorded at 0.2 percent of GDP compared with 3.6 percent in 2012-13. However, it increased slightly in 2014-15 and recorded at 0.5 percent of GDP owing to reasons elaborated in the paragraph earlier. During first nine months of current fiscal year, primary surplus of Rs.90 billion was recorded as compared with the deficit of Rs.55 billion during the same period last year. Achieving a primary surplus is normally viewed as important, being usually necessary for reduction in public debt to GDP ratio.

Pakistan's fiscal balance improved significantly in 2013-14 as compared with 2012-13. The actual fiscal deficit of 5.5 percent was not only lower than 8.2 percent recorded in 2012-13 but also lower than its budgeted target of 6.6 percent. During 2014-15, fiscal deficit further reduced and recorded at 5.3 percent of GDP which slowed down the pace of public debt accumulation. During July-March 2015-16, fiscal deficit was recorded at 3.4 percent of GDP as compared with 3.8 percent of GDP during the same period last year. Government financed around 22 percent of its fiscal deficit from external sources during first nine months of current fiscal year as compared with 13 percent during the same period last year.



Public debt to GDP ratio recorded a decline of 30 basis points and stood at 63.2 percent at the end of 2014-15 compared with 63.5 percent at the end of 2013-14. This improvement in public debt to GDP ratio was mainly contributed by reduced twin deficit (fiscal and current account) and appreciation of US Dollar against other international currencies. As at end March 2016, public debt to GDP ratio stood at 64.8 percent which includes an adverse effect of around 2.3 percent of GDP on account of increase in credit balances of government with SBP/commercial banks and revaluation loss on account of cross currency movements. Further, lower inflation contributed towards lesser nominal GDP growth in 2015-16 which exerted upward pressure on public debt to GDP ratio. The analysis of public debt to GDP ratio during last 15 years reveals that in the period of high inflation, public debt to GDP ratio performed relatively better as the denominator becomes larger and this ratio mostly hovered close to 60 percent even when real GDP growth was merely half a percent e.g. 2008-09. While higher inflation could help reducing the public debt-to-GDP ratio yet it has other repercussions for the economy. Therefore, economic managers would always prefer high real GDP growth coupled with low inflation rather than low real GDP growth coupled with high inflation.



It is a common practice to measure the public debt burden as a percentage of GDP. Another approach is to scale public debt levels against actual government revenues as this ratio measures debt repayment capacity of the country. There was 40 percentage point reduction in public debt to

government revenues in 2013-14, indicating some easing in government indebtedness. However, this ratio increased slightly by around 2.5 percentage points in 2014-15 and stood at 442 percent. Government is committed to reduce this ratio to a generally acceptable threshold of 350 percent by increasing its revenues and rationalizing current expenditures which will reduce the debt burden and improve the debt carrying capacity of the country to finance the growing development needs.

9.5 Servicing of Public Debt

During July-March (2015-16), public debt servicing was recorded at Rs.1,371 billion against the annual budgeted estimate of Rs.1,686 billion. Public debt servicing consumed nearly 46 percent of total revenues during first nine months of current fiscal year against a ratio of 45 percent during the same period last year. Ideally, this ratio should be below 30 percent to allow government to allocate more resources towards social and poverty related expenditures.

Table-9.7: Public Debt Servicing (Rs. in billion)

	2015-2016*			
	Budgeted	**Actual**	**Percent of Revenue**	**Percent of Current Expenditure**
Servicing of External Debt	111.2	76.6	2.6	2.2
Repayment of External Debt	405.8	291.4	9.8	8.6
Servicing of Domestic Debt	1,168.7	1002.9	33.9	29.4
Servicing of Public Debt	**1,685.7**	**1,370.9**	**46.3**	**40.2**

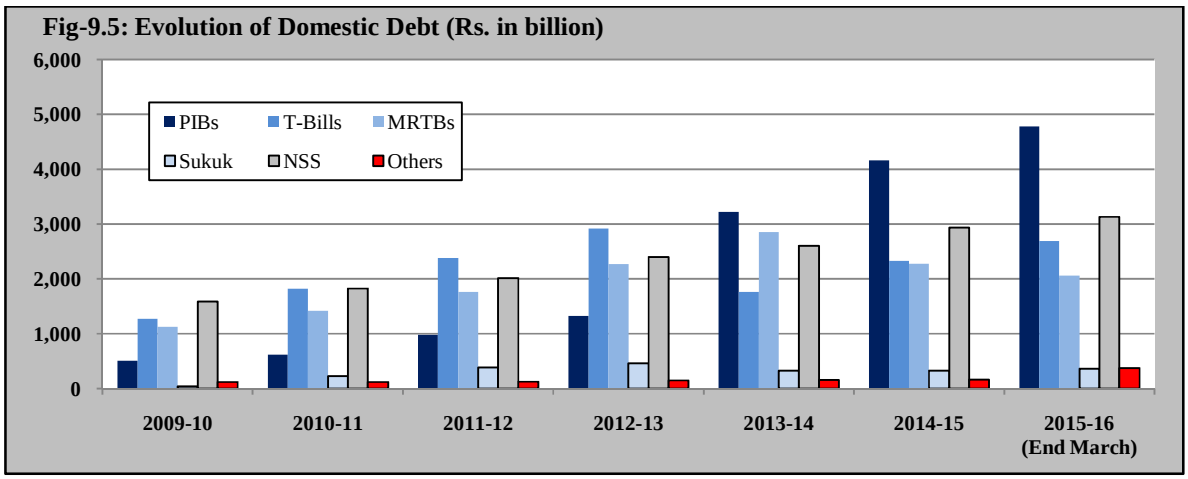
*: July-March
Source: Budget Wing and Debt Policy Coordination Office Staff Calculations, Ministry of Finance

Domestic interest payments constituted around 73 percent of total debt servicing which is due to increasing volume of domestic debt in overall public debt portfolio. Domestic interest payments were recorded at Rs.1,003 billion during first nine months of current fiscal year as compared with Rs.910 billion during the same period last year. Further analysis of domestic debt servicing revealed that large portion was paid against PIBs (Rs.477 billion), National Savings Schemes (Rs.198 billion), T-Bills (Rs.144 billion) and (Market Related Treasury Bills (Rs.126 billion).

9.6 Domestic Debt

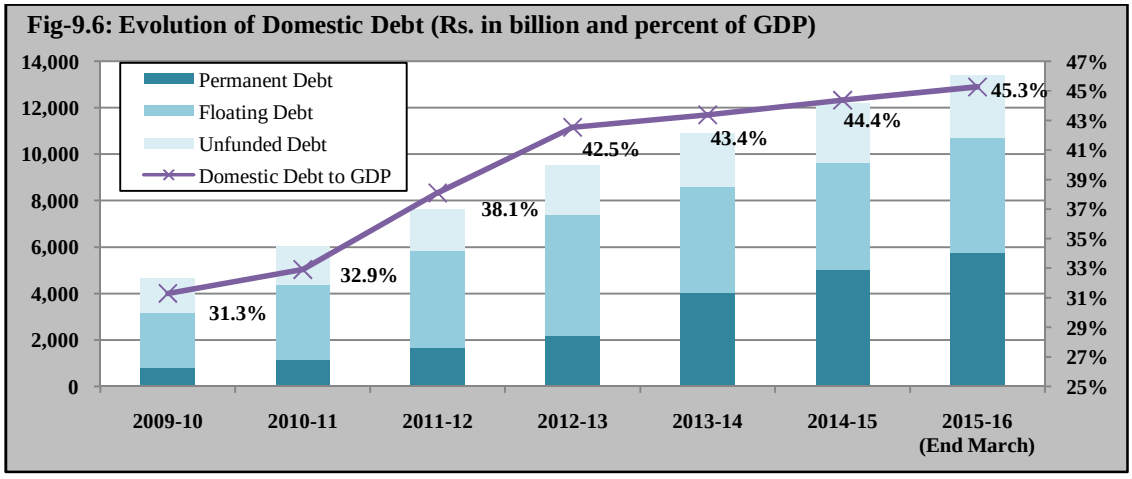
Pakistan's domestic debt comprises permanent debt (medium and long-term), floating debt (short-term) and unfunded debt (primarily made up of the various instruments available under the National Savings Schemes). The composition of domestic debt continued to witness some changes as share of Market Related Treasury Bills (MRTBs) in total domestic debt decreased to 15 percent at the end of March 2016 as compared with 19 percent at the end of last fiscal year. Similar to last year, financing structure remained tilted towards medium to long term debt instruments and accordingly share of permanent debt in total domestic debt further increased to 43 percent at the end of March 2016 as compared with 41 percent at the end of 2014-15.

The improvement in maturity profile of domestic debt was facilitated by declining interest rate environment as it is more practicable and cost effective for the government to lengthen the maturity profile of its domestic debt. In rising interest rate environment, the lengthening of domestic debt maturities could be more difficult and costly owing to lower appetite for medium to longer duration maturities. Thus, re-profiling of domestic debt in downward sloping yield curve environment has actually helped the government in attaining a much lower cost than what the government would have incurred in an upward sloping market. The yield curve of short term and long term debt have both been declining steadily for past one year and the yield curve is flattening across the maturity profile which is a sign of stability.



9.6.1 Outstanding Domestic Debt

Domestic debt increased by Rs.1,200 billion during first nine months of current fiscal and recorded at Rs.13,399 billion at end March 2016. This increase mainly stems from net issuance of PIBs and T-bills amounting to Rs.620 billion and Rs.358 billion respectively, while the stock of MRTBs amounting to Rs.219 billion was retired during first nine months of current fiscal year. Government also successfully conducted three auctions of Government Ijara Sukuk (GIS) and mobilized Rs.314 billion. Further, the government mobilized Rs.213 billion through outright purchase of GIS on deferred payment basis in November 2015. In relation to GDP, the domestic debt stood at 45.3 percent as at end March 2016. The component wise detail of domestic debt is depicted through following graph:



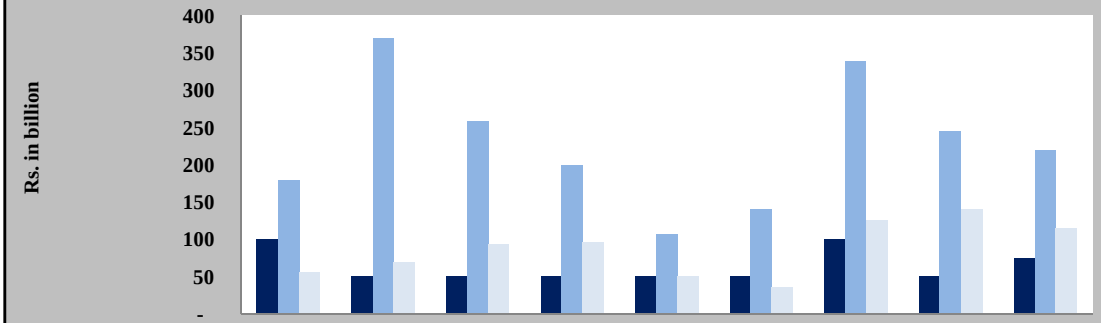
The following section highlights the developments in the various components of domestic debt during first nine months of outgoing fiscal year:

I. Permanent Debt

Permanent debt mainly consists of medium to long term instruments including PIBs, Government Ijara Sukuk, Prize Bond etc. PIBs are non-callable instruments with fixed and semi-annual coupon payment. PIBs are issued in tenors of 3, 5, 10 and 20 years maturity. The 3, 5 and 10 years tenors are most liquid. Government Ijara Sukuk are medium term Shariah compliant bonds currently issued in 3 years tenor. The purpose of issuance was to raise money from Islamic banking which has grown substantially in Pakistan in past few years.

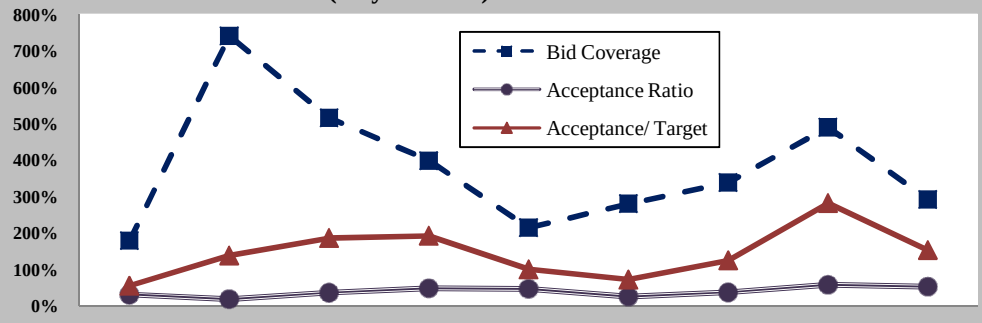
The amount of permanent debt in the total domestic debt stood at Rs.5,767 billion as at end March 2016, representing an increase of Rs.751 billion or 15 percent higher than the stock at the end of last fiscal year. Around 63 percent of the total increase in domestic debt stock was contributed by permanent debt during first nine months of current fiscal year. Out of total mobilization through permanent debt, the government mopped up (net of retirement) Rs.620 billion through successful auctions of PIBs. Accordingly, the share of permanent debt (mostly PIBs) increased to 43 percent at the end of March 2016 from 41 percent in 2014-15 which was only 17 percent five years back. Government also mobilized Rs.314 billion through auctions of GIS. The auctions wise details and relevant ratios related to PIBs are depicted through following graphs:

Fig-9.7: PIBs Auction Profile 2015-16 (July-March)



	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16
Auction Target	100	50	50	50	50	50	100	50	75
Auction Participation	179	371	258	199	107	140	339	245	219
Amount Accepted	56	69	93	96	50	36	125	141	115

Fig-9.8: PIBs Auction Ratios 2015-16 (July - March)



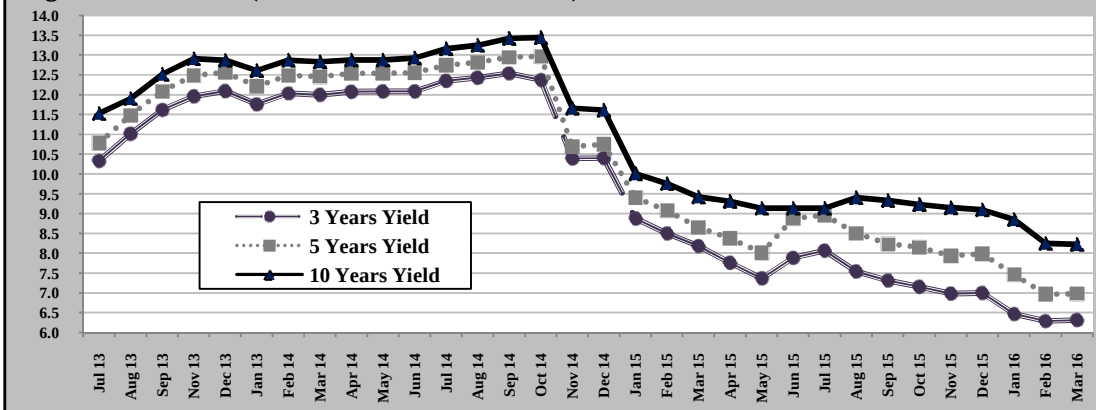
	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16
Bid Coverage	179%	741%	516%	399%	215%	281%	339%	490%	292%
Acceptance Ratio	31%	19%	36%	48%	47%	26%	37%	58%	53%
Acceptance/ Target	56%	139%	187%	193%	101%	72%	125%	283%	154%

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

As depicted in the graph above, against the target of Rs.575 billion, government received massive participation of Rs.2,058 billion against which government accepted Rs.783 billion during first nine months of current fiscal year. The yields on PIBs started declining from August 2015 and accordingly PIBs coupon rates were cut by 1 percent to 1.75 percent in April 2016 to align

them with the market yields. The yields on 3, 5 and 10 years PIBs from July 2013 to March 2016 are depicted through following graph:

Fig-9.9: PIBs Yields (3 Years, 5 Years & 10 Years) - In Percent

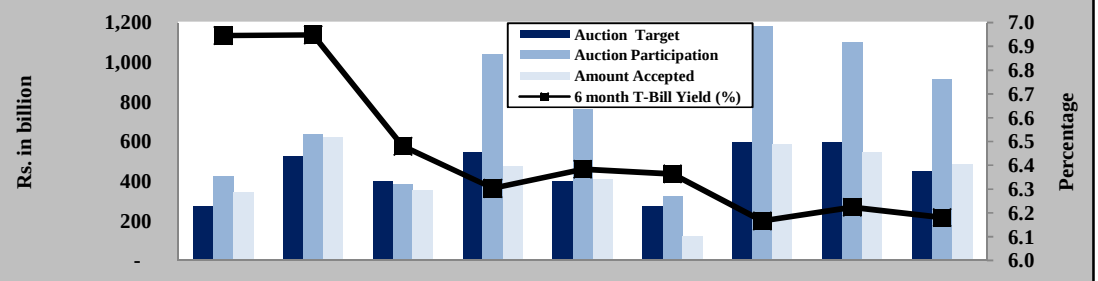


II. Floating Debt

Floating debt consists of short term domestic borrowing instruments such as Treasury Bills and State Bank borrowing through the purchase of MRTBs. Treasury Bills are zero coupon or discounted instruments issued in tenors of 3 months (introduced in 1997), 6 months (introduced in 1990) and 12 months (introduced in 1997). The share of 3 months, 6 months and 12 months maturity in total Treasury Bills portfolio was 12 percent, 25 percent and 63 percent respectively as at end March 2016. In order to raise short term liquidity, the government borrows from the domestic banks through auction in the form of Treasury Bills. The auction of Treasury Bills is arranged by the SBP twice a month.

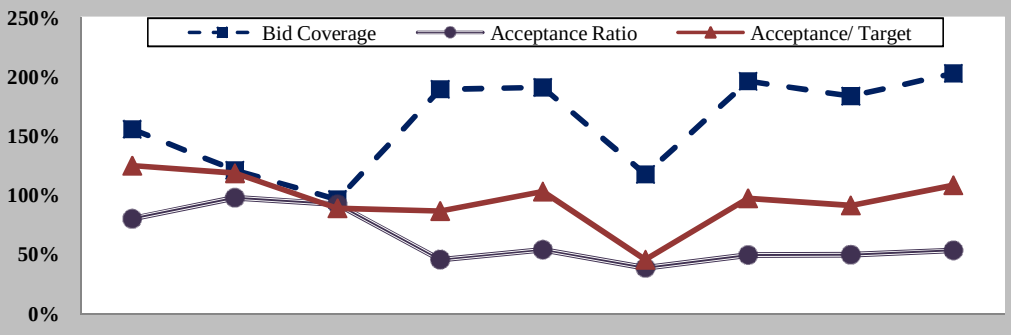
Floating debt recorded an increase of Rs.352 billion during first nine months of current fiscal year and stood at Rs.4,964 billion at end March 2016. The share of floating debt in overall public debt and domestic debt stood at 26 percent and 37 percent respectively at end March 2016, while, it was at 36 percent and 55 percent respectively at the end of 2012-13. During July-March 2015-16, net mobilization through T-bills stood at Rs.358 billion, whereas, the stock of MRTBs was retired by Rs.219 billion. Further, the government mobilized Rs.213 billion through outright purchase of GIS on deferred payment basis (Bai Muajjal) in November 2015. The auctions wise details and relevant ratios related to T-bills are depicted through following graphs:

Fig-9.10: T-Bills Auction Profile 2015-16 (July- March)



	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16
Auction Target	275	525	400	550	400	275	600	600	450
Auction Participation	428	635	385	1,042	765	323	1,178	1,102	913
Amount Accepted	343	622	355	476	412	125	584	548	488
6 month T-Bill Yield (%)	6.95	6.95	6.48	6.30	6.38	6.36	6.17	6.22	6.18

Fig-9.11: T-Bills Auction Ratios 2015-16 (July - March)



	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16
Bid Coverage	156%	121%	96%	190%	191%	118%	196%	184%	203%
Acceptance Ratio	80%	98%	92%	46%	54%	39%	50%	50%	53%
Acceptance/ Target	125%	119%	89%	87%	103%	46%	97%	91%	108%

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

III. Unfunded Debt

Following the cut in policy rate, the profit rates on National Savings Schemes (NSS) were also revised downward which mainly contributed towards decrease in net mobilization of Rs.96 billion from NSS during first nine months of current fiscal year as compared with Rs.220 billion during the same period. Most of the incremental mobilization went into Bahbood Savings Certificates (Rs.54 billion) and Special Savings Certificates and Accounts (Rs.30 billion). The total share of unfunded debt in the government's domestic debt stood at Rs.2,667 billion or 20 percent at end March 2016. The rates on NSS revised four times during first nine months of current fiscal year to align with the market rates.

Over past few years, government took various measures to rationalize the NSS including linkage of profit rates on major NSS instruments with comparable wholesales market instrument yields, levy of withholding tax on profits, service charges/penalty on early redemption and introduction of several new schemes to meet the diverse investor base demand. However, NSS instruments need to be integrated into mainstream capital markets by making them tradable and by catering to the implicit put option which is a potential source of liquidity and re-pricing risk for the government.

Table-9.8: Outstanding Domestic Debt - (Rs. in billion)

	2010	2011	2012	2013	2014(P)	2015(P)	2016(P)*
Permanent Debt	**797.7**	**1,125.6**	**1,696.9**	**2,179.2**	**4,005.3**	**5,016.0**	**5,767.4**
Market Loans	2.9	2.9	2.9	2.9	2.9	2.8	2.8
Government Bonds	7.2	0.7	0.7	0.7	0.7	0.7	0.7
Prize Bonds	236.0	277.1	333.4	389.6	446.6	522.5	616.6
Foreign Exchange Bearer Certificates	0.1	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	0.0
Federal Investment Bonds	0.0	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	0.0
Foreign Currency Bearer Certificates	0.0	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	0.1
Special U.S. Dollar Bonds	2.7	1.0	0.9	4.2	4.4	4.4	4.5
Government Bonds Issued to SLIC	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Pakistan Investment Bonds (PIBs)	505.9	618.5	974.7	1,321.8	3,223.5	4,158.3	4,778.0
GOP Ijara Sukuk	42.2	224.6	383.5	459.2	326.4	326.4	363.9

Table-9.8: Outstanding Domestic Debt - (Rs. in billion)

	2010	2011	2012	2013	2014(P)	2015(P)	2016(P)*
Floating Debt	**2,399.1**	**3,235.4**	**4,143.1**	**5,196.2**	**4,610.9**	**4,612.6**	**4,964.5**
Treasury Bills through Auction	1,274.1	1,817.6	2,383.4	2,921.0	1,758.6	2,331.3	2,689.6
Rollover of Treasury Bills discounted SBP	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Market Related Treasury Bills (MRTBs)	1,124.4	1,417.3	1,759.2	2,274.7	2,851.8	2,280.9	2,061.7
Bai Muajjal	-	-	-	-	-	-	212.6
Unfunded Debt	**1,457.5**	**1,655.8**	**1,798.0**	**2,146.5**	**2,303.8**	**2,570.3**	**2,666.6**
Defence Savings Certificates	224.7	234.5	241.8	271.7	284.6	300.8	305.7
Khas Deposit Certificates and Accounts	0.6	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	0.0
Savings Accounts	17.8	17.2	21.2	22.3	22.6	26.4	28.3
Mahana Amdani Account	2.2	2.1	2.0	2.0	1.9	1.8	1.7
Postal Life Insurance	67.1	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	897.1
Regular Income Scheme	135.6	182.6	226.6	262.6	325.4	376.0	365.5
Pensioners' Benefit Account	128.0	146.0	162.3	179.9	198.4	214.1	230.8
Bahbood Savings Certificates	366.8	428.5	480.8	528.4	582.4	628.3	682.1
National Savings Bonds	3.6	3.6	3.6	0.2	0.2	0.1	0.1
G.P. Fund	39.9	44.3	54.6	73.1	80.5	85.8	85.8
Short Term Savings Certificates				4.0	1.3	1.7	1.7
Total Domestic Debt	**4,654.3**	**6,016.7**	**7,638.1**	**9,521.9**	**10,920.0**	**12,198.9**	**13,398.5**

Source: Budget Wing, Finance Division, P: Provisional *end-March, 2016

9.6.2 Secondary Market Activities of Government Securities

An efficient secondary market for government securities allows better price discovery, enhances investors' interest and reduces cost of borrowing for the government. In Pakistan, both primary and secondary markets of the government securities are well developed. The daily trading volume of government securities in secondary market is increasing steadily, which is an encouraging sign for the depth and efficiency of the market. Secondary market of government securities also serves as an important source of liquidity management for banks and non-banks financial market participants in Pakistan.

Secondary Market Outright Trading:

Pakistan has a mature secondary market for marketable government debt securities, which include MTBs, PIBs and GIS. The secondary market for these securities is liquid, efficient and deep with Rs.10.6 trillion and Rs.10.7 trillion traded outright in 2013-14 and 2014-15, respectively. During first nine months of current fiscal year, the outright trading volumes in the secondary market are recorded at Rs.8,338 billion, compared to Rs.7,765 billion during the same period of last year. Moreover, the daily trading volumes of government securities in the secondary market have also increased from Rs.42.3 billion in 2013-14 to Rs.44.4 billion during July-March 2015-16. More encouragingly, the share of outright trading in the overall trading volumes, which include repo and outright trades, has increased from 44 percent in 2013-14 to 46 percent in 2015-16.

Table-9.9: Secondary Market Outright Trading Volume(Rs. in billion)

Securities	Full Year		Jul-March		
	2015	2014	2016	2015	2014
MTB-3M	1,550	5,067	1,027	1,294	4,503
MTB-6M	2,156	1,130	1,851	1,325	733
MTB-12M	2,325	1,657	2,076	1,763	1,171
PIB-3Yr	1,753	1,035	1,520	1,417	520
PIB-5Yr	741	431	651	511	252
PIB-10Yr	1,014	506	682	692	322

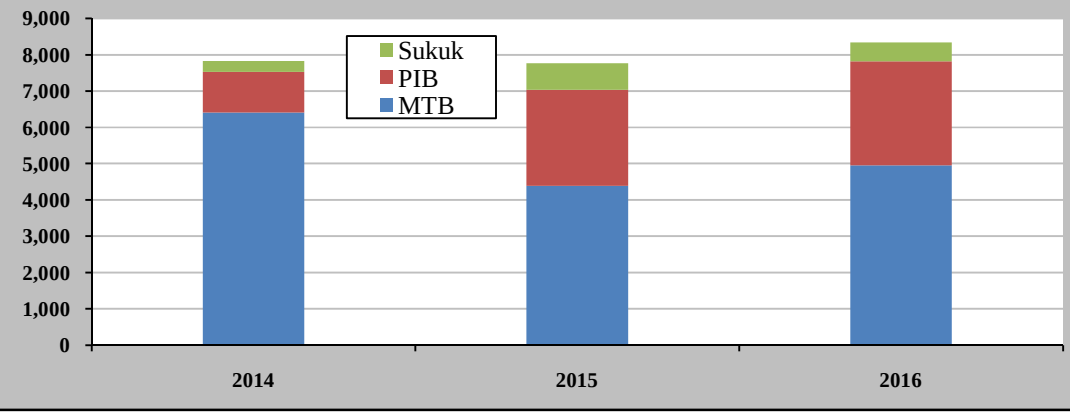
Table-9.9: Secondary Market Outright Trading Volume(Rs. in billion)					
Securities	**Full Year**		**Jul-March**		
	2015	**2014**	**2016**	**2015**	**2014**
PIB-20Yr	34	35	6	31	27
GIS-3Yr	1,109	761	526	732	297
Total	**10,683**	**10,622**	**8,338**	**7,765**	**7,825**
Daily Volume	43.2	42.3	44.4	43.4	42.8
Memo:					
Government securities (end period stock)	6,955	5,429	7,969	6,827	5,490
Turnover	-	-	1.05	1.14	1.43
Source: State Bank of Pakistan					

The turnover ratio (represented by ratio of trading volume to outstanding stock of government securities) has reduced to 1.05 during July-March 2015-16, compared to 1.14 and 1.43 in the same period of 2014-15 and 2013-14, respectively. The prime reason for the decline in the turnover ratio is the increased issuances of PIBs and Islamic GIS[1], which attract greater buy and hold behavior, compared to MTBs, particularly in a declining interest rate scenario.

The share of PIBs in the overall outright secondary market volume of government securities almost doubled to 34 percent in the period July-March 2015-16, compared to 18 percent in the same period of 2013-14; whereas the share of MTBs reduced to 59 percent from 81 percent during the period under consideration. A major reason for this shift is the greater primary issuances of PIBs in line with the target of increasing the maturity profile of government securities, as envisaged in MTDS.

Table-9.10: Government Security based Transactions (Jul-Mar)						
Type	**Volume (PKR in billion)**			**Percentage Share**		
	2014	**2015**	**2016**	**2014**	**2015**	**2016**
Repo	10,038	10,453	9,820	56	57	54
Outright	7,825	7,765	8,338	44	43	46
Total	**17,863**	**18,218**	**18,158**	**100**	**100**	**100**
Source: State Bank of Pakistan						

Fig-9.12: Share of Government Securities in Overall Outright Trading Volume (Rs. in billion)



Repo Market Trading:

Repo market dominates the secondary market trading activities of government securities in Pakistan. In the first nine months of current fiscal year, trading volume of Rs.9,820 billion generated in the repo market, which constitute 54 percent of the overall secondary market trades. The significantly large trade volumes and high liquidity in the repo market for government securities allow banks and non-bank investors to

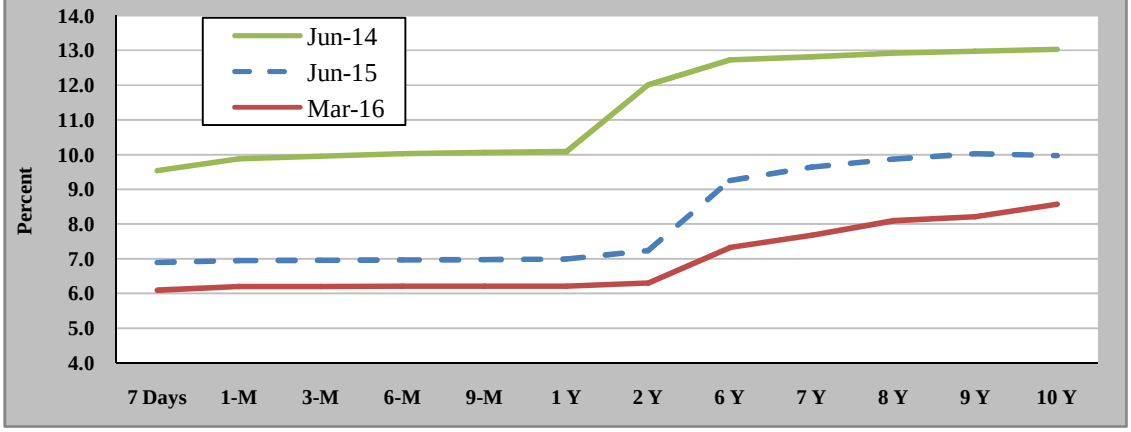
[1] SBP, on behalf of GOP, issued GIS worth 314.4 billion in 2015-16, out of which PKR196.7 billion was issued through Fixed Rental Rate (FRR) GIS in two auctions conducted in February and March, 2016.

swiftly meet their temporary liquidity requirements.

Yield Curve:

Pursuing an easy monetary policy stance, SBP cut its policy rate by a cumulative 350 bps from June-2014 to March-2016. As depicted in Fig-9.13, a comparison of yield curves of June-2014 and March-2016 also shows nearly 350 bps downward shift in the yields, indicating effective translation of cut in policy rate to the secondary market yields. Further, the yield curve has also flattened, which suggests market's benign inflation expectations in the medium term and better translation of short-term rates and monetary policy stance to longer-tenors interest rates.

Fig-9.13: Secondary Market Yield Curve



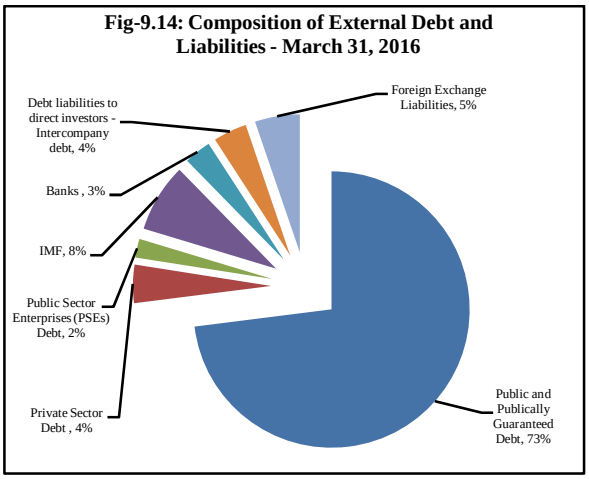
9.7 External Debt and Liabilities

Pakistan's External Debt and Liabilities (EDL) include all foreign currency debt contracted by the public and private sector as well as foreign exchange liabilities of SBP. 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). The impact of any currency risk should not be looked in isolation, but rather be analyzed in the context of savings generated through interest rate differential.

As at end March 2016, EDL was dominated by Public and Publically Guaranteed (PPG) debt having share of around 73 percent. These loans were mainly obtained from multilateral and bilateral donors. Borrowing from IMF contributed 8 percent in EDL stock while debt obligations of the private sector was fairly limited and have been a minor proportion (4 percent) of EDL. The composition and structure of EDL as at end March 2016 is depicted through following graph:

EDL stock was recorded at US$ 69.6 billion as at end March 2016 out of which external public debt was US$ 55.1 billion. Apart from net external inflows from International Financial Institutions (IFIs) and mobilization of US$ 500 million through issuance of Eurobonds, public external debt witnessed an increase on account of revaluation loss due to depreciation of US Dollar against other major currencies.

Fig-9.14: Composition of External Debt and Liabilities - March 31, 2016



During first nine months of 2015-16, disbursements against external public debt stood at US$ 6,252 million. Details of gross inflows

from main creditors during the period are as follows:

- Inflows from ADB US$ 722 million included US$ 87 million under the Social Protection Development and US$ 394 million for sustainable energy reform program;
- Out of total inflows of US$ 687 million from IDA, Pakistan received US$ 489 million under the Power Sector Reform Development Policy Credit;
- Out of the total mobilization of US$ 784 million from IDB, most of the borrowing was done on short term basis under Murabaha arrangement;
- Government borrowed US$ 1,381 million from commercial lenders;
- Pakistan mobilized US$ 500 million as proceed of the Eurobond issued in September 2015;
- Inflows from IMF stood at US$ 1,508 million under Extended Fund Facility (EFF).

Table-9.11: Pakistan External Debt and Liabilities **(US Dollar in billion)**

	2010	2011	2012	2013	2014(P)	2015(P)	2016(P)*
PUBLIC EXTERNAL DEBT							
1. Public Debt (i+ii+iii)**	**50.9**	**55.3**	**53.5**	**48.1**	**51.3**	**50.9**	**55.1**
i). Medium and Long Term(>1 year)	**42.1**	**45.7**	**45.6**	**43.5**	**47.7**	**45.8**	**48.1**
Paris Club	14.0	15.5	15.0	13.5	13.6	11.7	12.2
Multilateral	23.7	25.8	25.3	24.2	25.8	24.3	25.2
Other Bilateral	1.8	1.9	2.5	2.9	3.4	3.9	4.1
Euro Bonds/Saindak Bonds	1.6	1.6	1.6	1.6	3.6	4.6	4.6
Military Debt	0.2	0.1	0.1	0.1	0.0	-	-
Commercial Loans/Credits	-	-	-	-	0.2	0.3	0.9
Local Currency Bonds**	0.0	0.0	-	0.0	0.0	0.0	0.0
Saudi Fund for Development	0.2	0.2	0.2	0.2	0.1	0.1	0.1
SAFE China Deposits	0.5	0.5	1.0	1.0	1.0	1.0	1.0
NBP/BOC Deposits	0.2	0.1	-	-	-	-	-
ii). Short Term (<1 year)	**0.9**	**0.6**	**0.5**	**0.3**	**0.7**	**1.0**	**1.4**
Commercial Loans/Credits	-	-	-	-	0.2	-	0.6
Multilateral	0.8	0.6	0.5	0.3	0.4	1.0	0.8
Local Currency Securities**	0.1	0.0	0.0	0.0	0.1	0.0	0.0
iii). IMF	**8.1**	**8.9**	**7.3**	**4.4**	**3.0**	**4.1**	**5.6**
of which Central Government	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	5.6
PUBLICLY GUARANTEED DEBT							
2) Publicly Guaranteed Debt	**0.2**	**0.1**	**0.2**	**0.6**	**0.5**	**1.0**	**1.3**
i). Medium and Long Term(>1 year)	**0.2**	**0.1**	**0.2**	**0.6**	**0.5**	**1.0**	**1.3**
Paris Club	-	-	-	-	-	-	-
Multilateral	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Other Bilateral	0.0	0.0	0.2	0.6	0.5	1.0	1.3
Commercial Loans/Credits	0.1	-	-	-	-	-	-
Saindak Bonds	-	-	-	-	-	-	-
ii). Short Term (<1 year)	-	-	-	-	-	-	-
NON PUBLIC DEBT							
3. Private Sector Debt	**3.8**	**4.4**	**3.6**	**3.1**	**3.0**	**3.0**	**3.1**
4. Public Sector Enterprises (PSEs Debt)	**1.4**	**1.3**	**1.3**	**1.2**	**1.7**	**1.5**	**1.5**
5. Banks	**0.7**	**1.1**	**1.8**	**1.6**	**2.0**	**2.3**	**2.2**
Borrowing	0.2	0.4	0.9	0.7	1.1	1.3	1.1
Nonresident Deposits (LCY & FCY)	0.6	0.7	1.0	0.8	0.9	1.0	1.1
6. Debt liabilities to direct investors - intercompany debt	**1.9**	**1.6**	**2.7**	**3.1**	**3.4**	**2.7**	**2.7**
Total External Debt (1 through 6)	**59.0**	**63.8**	**63.1**	**57.8**	**62.1**	**61.4**	**65.9**
FOREIGN EXCHANGE LIABILITIES							
7. Foreign Exchange Liabilities	**2.6**	**2.6**	**2.4**	**3.1**	**3.3**	**3.7**	**3.6**
Total External Debt & Liabilities (1 through 7)	**61.6**	**66.4**	**65.5**	**60.9**	**65.4**	**65.1**	**69.6**

Table-9.11: Pakistan External Debt and Liabilities **(US Dollar in billion)**

	2010	2011	2012	2013	2014(P)	2015(P)	2016(P)*
Memo:							
GDP (Rs. in billion)	14,867	18,276	20,047	22,386	25,169	27,493	29,598
Exchange Rate (Rs./US$, Period Average)	83.8	85.5	89.2	96.7	102.9	101.3	104.2
Exchange Rate (Rs./US$, End of Period)	85.5	86.0	94.5	99.7	98.8	101.8	104.8
GDP (US$ in billion)	177.4	213.8	224.6	231.4	244.7	271.5	284.2

Source: State Bank of Pakistan, Economic Affairs Division & Debt Policy Coordination Office
P: Provisional *end-March, 2016 **excluding local currency bonds/securities since they are already included in domestic debt

9.7.1 External Debt Servicing

After hefty repayments in 2013-14, public external debt servicing witnessed a decline of 25 percent during 2014-15 and recorded at US$ 4,475 million as compared with US$ 5,995 million in the last fiscal year. The decline in external debt servicing during 2014-15 was mainly due to lower repayments to the IMF that peaked out in 2013-14. Servicing of public external debt increased by US$ 188 million in first nine months of 2015-16 compared to the same period last year and recorded at US$ 3,560 million.

Table-9.12: Public External Debt Servicing **(US Dollar in million)**

Years	Actual Amount Paid	Interest	Amount Rolled Over	Total
2009-10	2,643.1	850.3	623.0	4,116.4
2010-11	2,084.7	930.0	488.0	3,502.7
2011-12	2,700.0	880.9	543.0	4,123.9
2012-13	4,794.6	800.4	500.0	6,095.1
2013-14	5,220.0	774.6	1,000.0	6,994.5
2014-15	3,500.3	974.5	1,000.0	5,474.8
2015-16*	2,792.1	767.9	748.3	4,308.3

Source: State Bank of Pakistan, *July-March, 2016

While the significant portion of the IMF loans has already been repaid, this decline will be somewhat offset by an increase in debt servicing over the medium-term, arising from:

- The maturity of 10 years Eurobonds issued in 2006-07 (US$ 750 million) is due in 2016-17;
- The repayment of rescheduled Paris Club debt under Official Development Assistance (ODA) will start from 2016-17;
- The Repayment of on-going EFF with IMF will begin in 2017-18;
- The 5-year Eurobond issued in April 2014 (US$ 1 billion) will mature in 2018-19;
- The 5-years Pakistan International Sukuk issued in November 2014 (US$ 1 billion) will mature in 2019-20.

9.7.2 Impact of Exchange Rate Fluctuations

External loans are contracted by Pakistan in different currencies and disbursements are effectively converted into Pak Rupee. As the Pak Rupee is not a widely traded international currency, other currencies are bought and sold by buying and selling US Dollars. Accordingly, external debt portfolio is exposed to currency exchange risk between the US Dollar and the foreign currencies, as well as US Dollar and the Pak Rupee. External public debt witnessed a dual translational loss on account of depreciation of US Dollar against other major currencies and depreciation of Pak Rupee against US Dollar by around 3 percent during first nine month of current fiscal year.

The Pak Rupee depreciated against the US Dollar on average by 4.1 percent per annum between 2010-11 and 2015-16 (till March 2016) which resulted in increase in Pakistan's external debt in local currency. Pakistan's loss on foreign currency debt is mitigated by the concessional terms (low cost and longer maturities) associated with its external loans i.e. the cost of adverse currency movements and existing external debt rates is still lower than the cost of domestic debt by

approximately 3 percent over the last five years. Accordingly, policy of the government is to borrow more through these channels.

9.7.3 External Debt Sustainability

Generally, country's ability to make repayments can be assessed with two types of indicators; (i) solvency indicators and (ii) liquidity indicators. Solvency indicator such as external debt-to-GDP ratio shows debt bearing capacity of the country. Liquidity indicators such as external debt servicing to foreign exchange earnings ratio shows debt servicing capacity of the country.

Table-9.13: External Debt Sustainability Indicators

	2010	2011	2012	2013	2014	2015
ED/FEE (times)	1.3	1.2	1.1	1.0	1.0	1.0
ED/FER (times)	3.0	3.0	3.5	4.4	3.6	2.7
ED/GDP (Percentage)	28.7	25.9	23.8	20.8	21.0	18.8
ED Servicing/FEE (Percentage)	10.8	7.3	8.5	12.1	13.7	10.3

Source: Debt Policy Coordination Office Staff Calculations, Ministry of Finance
FEE: Foreign Exchange Earnings; **ED:** External Public Debt; **FER:** Foreign Exchange Reserves

The impact of the decrease in external debt and its servicing was evident in almost all the external debt sustainability indicators during 2014-15. Pakistan's external debt was slightly lower than the foreign exchange earnings in 2014-15. Further, decline in external debt repayments coupled with strong growth in the remittance, improved the debt servicing capacity of the country. Specifically, the external public debt servicing to foreign exchange earnings ratio dropped to 10 percent in 2014-15, from 14 percent last year. During first nine months of current fiscal year, external public debt servicing to foreign exchange earnings ratio stood at around 12 percent.

External debt to GDP ratio witnessed a significant decline in 2014-15 and recorded at 18.8 percent as compared with 21 percent at the end of last fiscal year. The improvement in this indicator was due to a drop in external debt caused by significant revaluation gains during 2014-15 on account of appreciation of US Dollar against other major international currencies. By end March 2016, this ratio stood at 19.4 percent mainly due to net external inflows and revaluation loss on account of depreciation of US Dollar against other major currencies.

A decrease in external debt in relation to foreign exchange reserves reflects the consolidation of foreign exchange reserves and a general improvement of the country's repayment capacity or vice versa. This ratio started improving since 2013-14 and recorded at 2.7 times in 2014-15 as compared with 4.4 times at the end of 2012-13. The reduction in external debt coupled with accumulation of foreign exchange reserves led to remarkable improvement in this ratio. As at end March 2016, this ratio further improved and recorded at 2.6 times as the rate of growth in foreign exchange reserves was more than the growth in external public debt stock.

9.8 Pakistan's Link with International Capital Market

The issuance of Eurobonds has great significance for Pakistan as it not only introduced Pakistan back in the international capital market but also allowed access to foreign resources for building country's reserves, which have paved the way for exchange rate stability i.e. there is general tendency of speculative attacks on currencies at the time of expected fall in reserves, the issuance of Eurobonds provided much needed support to foreign exchange reserves of the country and prevented exchange rate instability. Further, the proceeds from Eurobonds were utilized to retire the expensive domestic debt.

Pakistan successfully returned to international capital markets in September, 2015 through the issuance of US$ 500 million Eurobonds, for which there were offers worth US$ 2.3 billion. Around 87 percent of the subscription for bond came from investment funds, 12 percent from banks and financial institutions and 1 percent from pension funds. In terms of geographical

spread, 38 percent of subscription is from North America, 38 percent from UK, 12 percent from Europe and 12 percent from Asia. The new bond was a substitution of domestic borrowing with slightly lower cost of around 108 bps compared with the yield of Pakistan Investments bonds at that time. To the extent of the proceeds from bonds, the government reduced domestic debt by the same amount. Besides, the new issue protected loss of reserves due to payment of bond of similar amount due in March 2016.

Pakistan's International Eurobonds have traded well since issuance and levels have remained relatively stable since the start of 2015, other than intermittent impact of broad based market wide volatility. Pakistan's 2016s, 2017s, 2019s, 2024s bonds have traded at a premium since May, 2014 and CDS levels 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 to supplement expensive domestic borrowings in measured amounts.

Fig-9.15: CDS Levels for Pakistan

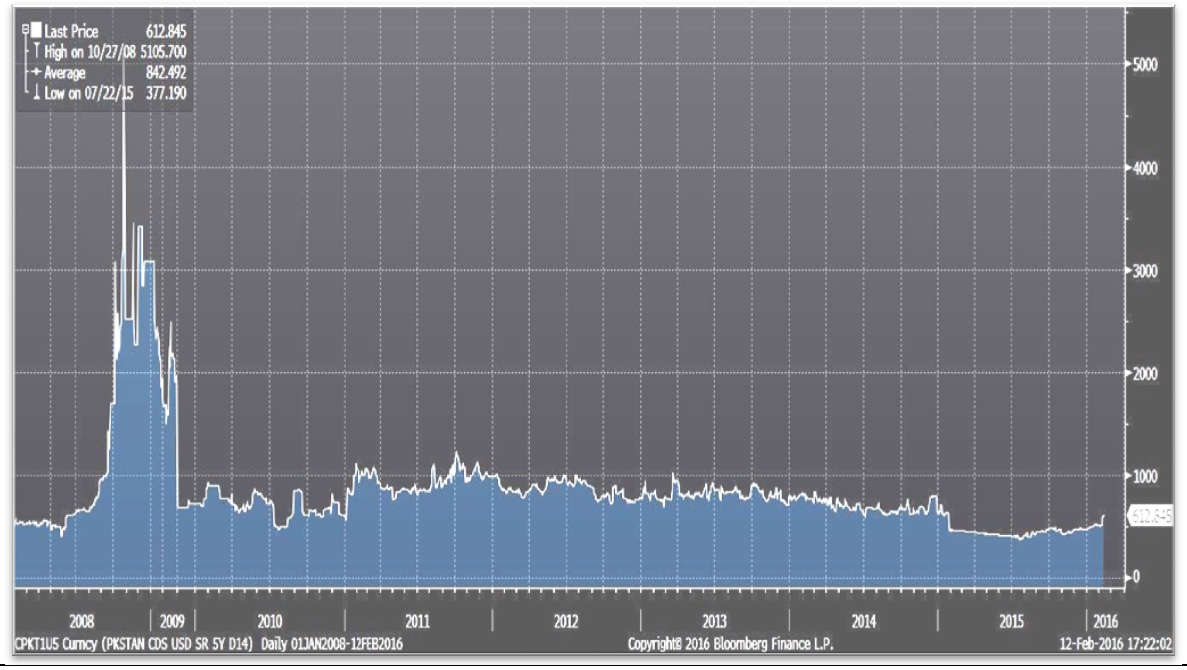


Table-9.14: Secondary Trading Levels:

Bond	Ratings			Maturity	Size	Coupon	Price	Yield
	M	S&P	F		($ in million)	(%)		(%)
EM Sovereign Bonds								
Pakistan	B3	B-	--	Jun-17	750	6.875	103.8	3.338
Pakistan	B3	B-	--	Apr-19	1,000	7.250	105.3	5.323
Pakistan (Sukuk)	B3	B-	--	Dec-19	1,000	6.750	104.5	5.362
Pakistan	B3	B-	--	Apr-24	1,000	8.250	105.9	7.267
Pakistan	B3	B-	B	Sep-25	500	8.250	105.9	7.374
Pakistan	B3	B-	--	Mar-36	300	7.875	90.4	8.915

Source: Bloomberg, April 19th 2016

9.9 Conclusion

Government inherited challenges such as large fiscal deficit, rising debt burden, unfavourable balance of payments, low foreign exchange reserves, low growth in tax revenues with shrinking tax-base, swelling current expenditures, a gigantic circular debt that was unraveling the

energy sector, flight of capital, weakening exchange rate and perilously declining investors' confidence. On the external front, the major development partners had considerably scaled down their support due to waning economic fundamentals and apparent inability of the country to service its external obligations in the near future. One of the main challenges was absence of external financing which was causing turbulence in the domestic exchange markets and tilting the composition of public debt towards domestic debt and that too into shorter maturities creating vulnerabilities and entailing high rollover and refinancing risks.

Keeping in view the importance and indispensable nature of debt sustainability, the government has taken corrective measures and accordingly public debt sustainability indicators have improved during last two fiscal years. Government has been able to lengthen the maturity profile of its domestic debt and accordingly refinancing and interest rate risks were reduced. External debt sustainability improved owing to increase in debt repayment capacity of the country. Yields on retail domestic debt were synchronized with wholesale secondary market yields to practically eliminate distortions in their yield curves. Government has also published its updated Medium Term Debt Management Strategy to ensure that both the level and rate of growth in public debt is fundamentally sustainable while meeting cost and risks objectives.

Going forward, the prime objectives of public debt management include: (i) fulfilling the financing needs of the government keeping in view cost-risk tradeoffs; (ii) development of domestic debt capital market (iii) lengthening of maturities of domestic debt instruments at a reasonable cost; and (iv) stimulation of concessional external financing with reference to its impact on macroeconomic stability and debt sustainability. Further, it is important for the government to adopt an integrated approach for economic revival and debt reduction which will require trade-offs in the short-term, thus implementing structural reforms that boost potential growth which is a key to ensure public debt sustainability.

PUBLIC DEBT

TABLE 9.1

PUBLIC & PUBLICLY GUARANTEED DEBT DISBURSED & OUTSTANDING
AS ON 31-03-2016

Country/Creditor		$ Million
I. BILATERAL		Amount
a. Paris Club Countries		
AUSTRIA		36
BELGIUM		24
CANADA		417
FINLAND		5
FRANCE		1,680
GERMANY		1,517
ITALY		135
JAPAN		6,063
KOREA		453
THE NETHERLANDS		96
NORWAY		14
RUSSIA		98
SPAIN		74
SWEDEN		124
SWITZERLAND		101
UNITED KINGDOM		7
UNITED STATES		1,383
	Sub Total I.a. Paris Club Countries	12,227
b. Non Paris Club Countries		
CHINA		6,032
KUWAIT		183
LIBYA		4
SAUDI ARABIA		225
UNITED ARAB EMIRATES		52
	Sub Total I.b. Non-Paris Club Countries	6,496
c. Commercial Banks		1,482
	Total I. (a+b+c)	20,205
II. MULTILATERAL & Others		
ASIAN DEVELOPMENT BANK (ADB)		9,838
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD)		1,151
INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)		12,952
Other		1,265
EUROPEAN INVESTMENT BANK (EIB)		14
ISLAMIC DEVELOPMENT BANK (IDB)		915
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD)		214
NORDIC DEVELOPMENT FUND		10
OPEC FUND		71
ECO TRADE BANK		42
	Sub Total II. Multilateral & Others	25,206
III. BONDS		4,550
IV. DEFENCE		-
V. IDB (SHORT TERM CREDIT)		837
VI. LOCAL CURRENCY BONDS (TBs & PIBs)		3
	Grand Total: (I+II+III+IV+V+VI)	50,802

Source: Economic Affairs Division

TABLE 9.2

COMMITMENTS AND DISBURSEMENTS OF LOANS AND GRANTS (BY TYPE)

$ Million

Fiscal Year	Project Aid		Non-Project Aid								Total*	
			Non-Food		Food		BOP		Relief			
	Comm-itment	Disburse-ment	Comm-itment	Disburse-ment	Comm-itment	Disburse-ment	Comm-itment	Disburse-ment	Comm-itment	Disburse-ment	Comm-itment	Disburse-ment
2000-01	396	1,030	-	-	91	23	1,128	1,128	21	5	1,637	2,186
2001-02	973	741	-	-	40	114	2,589	1,880	0	21	3,603	2,756
2002-03	700	846	-	-	-	9	1,089	1,057	11	8	1,800	1,920
2003-04	1,214	622	-	-	-	-	1,263	755	2	3	2,479	1,380
2004-05	2,089	918	-	-	-	-	1,202	1,803	-	2	3,291	2,723
2005-06	3,250	2,084	-	-	22	10	1,225	1,262	1	1	4,498	3,357
2006-07	1,365	1,308	133	-	-	12	2,649	2,058	3	3	4,151	3,381
2007-08	2,440	1,565	-	80	-	-	1,309	2,013	2	2	3,751	3,660
2008-09	2,296	1,272	125	175	18	-	3,947	3,238	2	2	6,389	4,688
2009-10	3,729	1,213	100	100	-	-	2,846	2,305	68	49	6,744	3,668
2010-11	2,384	1,076	-	-	-	-	397	648	1,799	895	4,580	2,620
2011-12	3,341	1,753	100	73	-	-	1,135	949	103	314	4,679	3,089
2012-13	1,848	2,071	100	51	-	-	708	466	4	268	2,660	2,855
2013-14	9,809	2,015	125	80	-	-	5,019	4,612	4	133	14,957	6,840
2014-15	2,038	2,449	-	10	-	-	2,671	3,163	12	134	4,721	5,756
2015-16 (July - March)	7,741	2,184	-	-	-	-	3,610	3,242	6	14	11,357	5,441

***: Exclusive of IMF Loans**

Source: Economic Affairs Division

Notes:

Project Aid includes commitments and disbursements for Earthquake Rehabilitation & Construction

BOP includes commitment and disbursement for IDB Short-term credit and Tokyo Pledges

Relief includes commitment and disbursement for Afghan Refugees, IDPs, Earthquake and Flood Assistance

TABLE 9.3

ANNUAL COMMITMENTS, DISBURSEMENTS, SERVICE PAYMENTS AND EXTERNAL DEBT OUTSTANDING

$ Million

Fiscal Year	Debt Outstanding @		Transactions during period					Debt Servicing as % of		
					Service Payments***					
	Disbursed*	Undisbursed*	Commit-ment**	Disburse-ment**	Principal	Interest	Total	Export Receipts	Foreign Exchange Earning	GDP
2000-01	25,608	2,860	1,167	1,846	1,004	663	1,668	18.7	11.7	2.3
2001-02	27,215	3,504	3,293	2,423	772	538	1,309	14.3	8.5	1.8
2002-03	28,301	3,811	1,747	1,729	971	613	1,583	14.4	8.1	1.9
2003-04	28,900	5,392	2,125	1,372	2,513	702	3,215	25.8	15.0	3.3
2004-05	30,813	4,975	3,113	2,452	1,072	669	1,742	12.0	6.5	1.6
2005-06	33,033	5,838	4,507	3,163	1,424	712	2,136	12.9	6.9	1.6
2006-07	35,673	6,277	4,059	3,356	1,203	822	2,025	11.7	6.1	1.3
2007-08	40,770	6,540	3,398	3,160	1,133	983	2,116	10.4	5.7	1.2
2008-09	42,567	7,451	5,792	4,032	2,566	873	3,439	18.0	9.7	2.0
2009-10	43,187	9,634	6,171	3,099	2,339	756	3,095	15.7	8.1	1.7
2010-11	46,642	9,797	4,580	2,620	1,925	762	2,687	10.6	5.6	1.3
2011-12	46,391	10,316	4,679	3,089	1,534	717	2,251	9.1	4.7	1.0
2012-13	44,353	9,954	1,278	2,486	1,903	709	2,612	10.5	5.2	1.1
2013-14	48,984	15,770	11,263	3,760	2,074	736	2,810	11.2	5.5	1.1
2014-15	47,867	18,559	3,621	3,601	2,262	949	3,211	13.3	6.1	1.2
2015-16 (July-March)	50,802	17,083	8,227	2,875	2,779	747	3,526	21.5	9.4	1.2

*** : Excluding grants**

Source: Economic Affairs Division

**** : Excluding IMF, Short Term Credit, Commercial Credits and Bonds**

***** : Excluding IMF, Short Term Credit, Commercial Credits and Bonds up to the year 2003-04. From the Years 2004-05 onwards, debt servicing in respect of short-term borrowings and Eurobonds is included**

@: Public and Publically Guaranteed Loans

TABLE 9.4

DEBT SERVICE PAYMENTS OF FOREIGN LOANS (Paid in Foreign Exchange)

US$ Million

Fiscal Year	Kind	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16 (July-Mar)
I. PARIS CLUB COUNTRIES								
1. Australia	Principal	-	-	-	-	-	-	-
	Interest	-	-	-	-	-	-	-
2. Austria	Principal	3.387	3.581	2.760	3.664	4.923	3.767	2.097
	Interest	3.569	3.466	2.950	2.976	3.006	2.312	1.058
3. Belgium	Principal	0.715	0.711	0.901	1.014	1.223	1.222	0.621
	Interest	1.998	1.702	1.836	1.746	1.773	1.492	0.661
4. Canada	Principal	1.814	2.075	2.372	2.717	3.118	3.563	1.972
	Interest	1.276	1.018	0.965	0.989	0.754	0.674	0.361
5. Denmark	Principal	-	-	-	-	-	-	-
	Interest	-	-	-	-	-	-	-
6. France	Principal	26.804	31.301	34.169	39.776	52.270	53.406	29.849
	Interest	87.354	87.466	81.713	77.533	79.165	66.812	30.467
7. Finland	Principal	0.119	0.136	0.156	0.179	0.206	0.424	0.129
	Interest	0.083	0.067	0.062	0.064	0.051	0.069	0.024
8. Germany	Principal	15.861	18.138	23.629	17.883	14.458	16.847	7.610
	Interest	18.639	18.619	17.290	16.513	26.691	25.119	12.919
9. Italy	Principal	20.098	22.712	0.576	0.652	0.764	0.826	0.442
	Interest	0.339	0.285	0.317	0.222	0.163	0.143	0.080
10. Japan	Principal	48.656	56.651	64.135	61.458	55.903	51.160	50.218
	Interest	118.509	129.489	134.327	117.640	103.270	88.094	49.216
11. Korea	Principal	9.678	11.068	12.656	14.492	16.626	19.009	10.911
	Interest	8.165	6.836	6.750	6.907	5.932	5.480	3.001
12. Norway	Principal	2.513	1.504	0.497	0.570	0.648	0.717	0.383
	Interest	1.010	0.346	0.304	0.273	0.202	0.179	0.081
13. The Netherlands	Principal	0.303	0.354	0.375	0.345	0.514	0.507	0.254
	Interest	3.457	3.244	3.285	2.970	3.221	2.959	2.331
14. Russia	Principal	2.475	2.831	3.238	3.707	4.255	4.863	2.691
	Interest	6.157	6.027	5.895	5.709	5.514	5.403	2.561
15. Sweden	Principal	3.126	3.578	4.092	4.681	5.366	6.130	3.393
	Interest	2.135	1.683	1.597	1.630	1.225	1.102	0.595
16. Spain	Principal	0.533	0.610	0.697	0.822	0.960	1.093	0.602
	Interest	1.980	1.987	1.905	1.846	1.782	1.753	0.880
17. Switzerland	Principal	1.687	2.235	2.554	2.878	3.431	3.722	1.947
	Interest	1.380	1.339	1.299	1.229	3.886	1.087	0.484
18. USA	Principal	3.565	4.078	4.663	5.339	6.124	7.004	3.877
	Interest	29.318	29.111	28.928	28.665	28.414	29.404	13.884
19. UK	Principal	0.151	0.223	0.250	0.282	0.342	0.370	0.199
	Interest	0.651	0.143	0.157	0.161	0.066	0.094	0.046
TOTAL (I)	Principal	141.485	161.786	157.720	160.459	171.131	174.630	117.195
	Interest	286.020	292.828	289.580	267.073	265.115	232.176	118.649
II. NON-PARIS CLUB COUNTRIES								
1. China	Principal	20.148	139.269	151.630	72.734	121.257	127.994	167.426
	Interest	46.620	76.892	43.799	74.575	103.488	139.299	133.216
2. Czecho-Slovakia	Principal	-	-	-	-	-	-	-
	Interest	-	-	-	-	-	-	-
3. Kuwait	Principal	7.800	7.983	7.990	8.072	7.057	7.551	9.597
	Interest	2.793	2.760	2.797	2.842	3.121	3.061	2.982
4. Libya	Principal	1.785	0.100	0.100	-	-	-	-
	Interest	0.025	0.006	0.003	-	-	-	-
5. Saudi Arabia	Principal	82.296	180.009	103.851	76.116	166.669	121.934	75.087
	Interest	6.212	13.976	6.502	4.200	7.547	5.701	3.550
6. UAE	Principal	-	0.538	3.801	4.114	4.513	4.513	6.004
	Interest	2.122	1.845	2.095	1.879	3.025	1.697	1.648
7. EXIM Bank (FE)	Principal	4.224	5.594	5.523	6.324	7.257	8.297	4.592
	Interest	1.425	0.628	1.239	1.201	1.167	1.113	0.535
8. PL-480	Principal	1.171	1.153	1.153	1.154	1.154	1.154	1.153
	Interest	2.994	2.976	2.962	2.936	2.916	1.533	1.515
9. CCC	Principal	5.651	6.463	7.390	8.462	9.708	11.099	6.144
	Interest	16.982	16.623	16.258	15.746	15.209	14.594	7.058
TOTAL (II)	Principal	123.075	341.109	281.438	176.976	317.615	282.542	270.003
	Interest	79.173	115.706	75.655	103.379	136.473	166.998	150.504

(Contd..)

TABLE 9.4

DEBT SERVICE PAYMENTS OF FOREIGN LOANS (Paid in Foreign Exchange)

US$ Million

Fiscal Year	Kind	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16 (July-Mar)
III. MULTILATERAL								
1. ADB	Principal	511.695	626.773	714.870	737.087	728.130	721.223	542.970
	Interest	111.136	104.161	103.125	101.564	82.581	80.625	63.014
2. IBRD	Principal	225.073	172.956	156.078	177.063	165.637	156.074	147.323
	Interest	30.585	15.464	13.925	13.877	8.111	5.921	8.033
3. IDA	Principal	168.122	168.576	192.606	222.629	236.291	253.490	213.316
	Interest	82.620	82.377	92.352	92.770	96.215	113.079	98.360
4. IFAD	Principal	7.793	7.775	11.532	8.112	4.803	5.277	4.122
	Interest	1.754	1.721	1.798	1.698	1.618	1.649	1.099
5. IDB	Principal	6.840	9.488	7.025	17.440	23.604	31.612	34.203
	Interest	3.585	5.599	4.197	4.832	10.203	13.649	10.074
6. IDB (ST)	Principal	349.925	325.127	-	390.290	412.952	409.093	734.531
	Interest	18.551	28.614	23.028	11.185	15.737	18.368	47.142
TOTAL (III)	Principal	1,269.448	1,310.695	1,082.111	1,552.621	1,571.417	1,576.769	1,676.465
	Interest	248.231	237.936	238.425	225.926	214.465	233.291	227.722
IV. DEVELOPMENT FUNDS								
1. NORDIC	Principal	1.923	2.447	2.486	1.869	1.586	0.836	0.376
	Interest	0.210	0.203	0.171	0.137	0.117	0.060	0.050
2. OPEC Fund	Principal	4.015	3.298	2.666	3.016	3.016	4.453	4.706
	Interest	0.599	0.526	0.580	0.833	1.239	1.613	1.200
3. Turkey (EXIM Bank)	Principal	-	-	-	-	0.667	31.336	0.667
	Interest	-	-	0.212	0.215	0.190	0.877	0.611
4. E.I.Bank	Principal	7.525	5.277	7.816	8.083	8.365	8.167	4.459
	Interest	1.468	1.223	1.170	0.853	0.633	0.400	0.149
5. ANZ Bank / Standard Charted Bank	Principal	50.000	-	-	-	-	172.500	200.000
	Interest	4.061	-	-	-	6.946	12.291	30.720
TOTAL (IV)	Principal	63.463	11.022	12.968	12.968	13.634	217.292	210.208
	Interest	6.338	1.952	2.133	2.038	9.125	15.241	32.730
V. GLOBAL BONDS								
1. Euro Bonds	Principal	600.000	-	-	-	-	-	500.000
	Interest	132.040	110.904	110.872	110.852	110.816	301.426	217.296
2. Saindak Bonds	Principal	-	-	-	-	-	-	-
	Interest	-	-	-	-	-	-	-
3. US Dollar Bonds (NHA)	Principal	21.903	-	-	-	-	-	-
	Interest	1.485	-	-	-	-	-	-
TOTAL (V)	Principal	621.903	-	-	-	-	-	500.000
	Interest	133.525	110.904	110.872	110.852	110.816	301.426	217.296
TOTAL (I+II+III+IV+V)	Principal	2,219.374	1,824.612	1,534.237	1,903.024	2,073.797	2,251.233	2,773.871
	Interest	753.287	759.326	716.665	709.268	735.994	949.132	746.901
	Total (P+I)	2,972.661	2,583.938	2,250.902	2,612.292	2,809.791	3,200.365	3,520.772
VI. OTHERS								
1. NBP	Principal	3.022	3.055	-	-	-	-	-
	Interest	0.168	0.048	-	-	-	-	-
2. Bank of Indosuez	Principal	-	-	-	-	-	-	-
	Interest	-	-	-	-	-	-	-
3. NBP Bahrain	Principal	-	-	-	-	-	-	-
	Interest	-	-	-	-	-	-	-
4. ANZ Bank	Principal	-	75.000	-	-	-	-	-
	Interest	-	2.784	-	-	-	-	-
5. US Dollar Bonds	Principal		21.903	-	-	-	-	-
	Interest		0.301	-	-	-	-	-
6. Cash (ST)	Principal	116.279	-	-	-	-	-	-
	Interest	2.849	-	-	-	-	-	-
7. OTF	Principal	-	-	-	-	-	-	-
	Interest	-	-	-	0.192	0.160	-	-
8. Unspent Balance	Principal	-	-	-	-	-	10.686	5.068
	Interest	-	-	-	-	-	-	-
TOTAL (VI)	Principal	119.301	99.958	-	-	-	10.686	5.068
	Interest	3.017	3.133	-	0.192	0.160	-	-
TOTAL (I+II+III+IV+V+VI)	Principal	2,338.675	1,924.570	1,534.237	1,903.024	2,073.797	2,261.919	2,778.939
	Interest	756.304	762.459	716.665	709.460	736.154	949.132	746.901
Grand Total (P+I)		3,094.979	2,687.029	2,250.902	2,612.484	2,809.951	3,211.051	3,525.840

Note: Exclusive of IMF Loans

Source: Economic Affairs Division

TABLE 9.5

TERMS OF FOREIGN LOANS/CREDITS CONTRACTED BY PAKISTAN

Lending Country/Agency	2008-09			2009-10		
	Amount ($ Million)	Interest Rate/ Commission(%)	Amortization (years)	Amount ($ Million)	Interest Rate/ Commission(%)	Amortization (years)
A. Paris Club Countries						
1. Germany	138.3	0.75	40	20.3	0.75	40
2. Japan				249.4	1.2	30
3. France	98.3	LIBOR EURO 6 Months + 200bps	20	103.6	1.6	20
4.Italy						
Sub-Total (A):	236.6			373.3		
B. Non-Paris Club						
1. China	800.0	0-5	10-15	1,979.8	6 and LIBOR 3 Months + 1.1	19-25
2. Kuwait				49.9	1 Fixed	25
3. Saudi Arabia	125.2	3.25	3	380.0	2 and LIBOR 3 Months + 0.5	3-20
4. Korea	205.2	1.50	30-40			
5. UAE						
Sub-Total (B):	1,130.4			2,409.7		
C. Multilateral						
1. IDB (ST)	596.5	LIBOR+2.5	1	572.3	LIBOR + 2.5	1
2. IDB	287.8	LIBOR + 0.55 and 1.5	18-26	362.2	5.1 US SWAP RATE 15 YRS +1.2	15-20
3. IDA	1,528.7	0.75	35	508.4	0.75 Fixed	35
4. ADB	1,759.7	1.5 and LIBOR 6 Months + 0.6	20-30	711.8	1.5 and LIBOR 6 Months + 0.6	20-30
5. OPEC	66.3	LIBOR + 1.85	20	31.1	1.75 Fixed	20
6. IBRD	173.4	LIBOR 6 Months + 0.75	30			
7. IFAD				18.8	0.75 Fixed	26
7. EIB				149.5	LIBOR 6 Months + 0.15	35
Sub-Total (C):	4,412.4			2,354.1		
Total (A+B+C)	5,779.4			5,137.1		

Lending Country/Agency	2010-11			2011-12		
	Amount ($ Million)	Interest Rate/ Commission(%)	Amortization (years)	Amount ($ Million)	Interest Rate/ Commission(%)	Amortization (years)
A. Paris Club Countries						
1. Germany						
2. Japan	237.4	.01 Fixed	30	62.8	0.01 Fixed	30
3.France	103.9	LIBOR 6 Months + 0.25	15-18			
4. Italy	53.5	-	19	72.7	Free	40
Sub-Total (A)	394.8			135.5		
B. Non-Paris Club						
1. China	213.7	2 Fixed	18-20	851.1	2 Fixed	12-14
2. Kuwait	42.6	1 Fixed	25			
3. Saudi Arabia	100.0	LIBOR 12 Months +0.85	1	100.0	LIBOR 12 months + 1.25	10
4. Korea						
Sub-Total (B)	356.3			951.1		
C. Multilateral						
1. IDB Short-term				256.0		
2. IDB	220.0	1 Fixed	15			
3. IDA	603.0	3.95 and 0.75 Fixed	25	1,703.3	1.68 Fixed	25
4. ADB	892.6	1.5 and LIBOR 6 Months + 0.6	18-30	504.9	1.5 and LIBOR 6 months + 0.6	16
5. OPEC						
6.IBRD	261.4	LIBOR 6 Months + 0.75	25	500.0	LIBOR 6 months + 1	
7. IFAD				40.0	0.75	40
8. EIB						
9. E.C.O. T / BANK	10.0	LIBOR 6 Months + 1.5	7			
Sub-Total (C)	1,987.0			3,004.2		
Total (A+B+C)	2,738.1			4,090.7		

(Contd.)

TABLE 9.5

TERMS OF FOREIGN LOANS/CREDITS CONTRACTED BY PAKISTAN

Lending Country/Agency	2012-13			2013-14		
	Amount	Interest Rate/	Amortization	Amount	Interest Rate/	Amortization
	$ Million	Commission(%)	years	$ Million	Commission(%)	years
A. Paris Club Countries						
1. Germany				27.3	0.75 Fixed	40
2. Japan				49.3	LIBOR Yen 6 Month + 0.34	40
3.France				83.3	EIBOR+0.93	20
4. Italy	88.9	LIBOR 6 months + 0.93	15			
Sub-Total A	88.9			159.9		
B. Non-Paris Club						
1. China	448.0	LIBOR 6 months + 2.8	10	6,493.8	1 , 2 and 6 Fixed	28 to 30
2. Kuwait						
3. Saudi Arabia	100.0	LIBOR 12 months + 1.25	10	282.8	LIBOR 12 months + 1.25 and 2 Fixed	For Fixed 6 and for LIBOR 25
4. Korea						
Sub-Total B	548.0			6,776.6		
C. Multilateral						
1. IDB Short-term				1,006.5	5.25 Fixed, LIBOR 12 Months + 4.5, LIBOR 6 Months + 4.5, LIBOR Euro 12 Months+2.3	1
2. IDB	227.0	LIBOR 6 months + 1.35	24	264.4	2 to 2.5 Fixed	25
3. IDA	242.9	1.25 Fixed	25	1,554.1	1.25 to 2 Fixed	30
4. ADB	170.8	1.5 & LIBOR 6 months + 0.6	20-28	2,148.8	2 Fixed & LIBOR 6 months + 0.6	30
5. OPEC				50.0	1.75 Fixed	25
6.IBRD						
7. IFAD						
8. EIB				136.5	LIBOR + spread, Euribor + spread and Fixed (multiple rates for multiple tranches)	30
9. E.C.O BANK				30.0	LIBOR 6 MONTHS + 2	1
Sub-Total C	640.7			5,190.3		
D. Commercial Banks						
1. SCB (London)				172.5	LIBOR 3 Months + 4	1
2. SUISSE AG, UBL, ABL				200.0	LIBOR 3 Months + 4	1
Sub-Total (D)	-			372.5		
E. Commercial Banks						
1. Bonds 2019				1,000.0	7.25 Fixed	5
2. Bonds 2024				1,000.0	8.25 Fixed	10
3. Sukuk 2019				-		
Sub-Total (E)	-			2,000.0		
Total (A+B+C+D+E)	1,277.6			14,499.2		

Lending Country/Agency	2014-15			2015-16 (July-March)		
	Amount	Interest Rate/	Amortization	Amount	Interest Rate/	Amortization
	$ Million	Commission(%)	years	$ Million	Commission(%)	years
A. Paris Club Countries						
1. Germany				44.5	LIBOR 6 Months + 0.1	30
2. Japan				45.3	0.75 Fixed	40
3.France				47.0	EIBOR + 0.25	20
4. Italy						
Sub-Total A	-			136.8		
B. Non-Paris Club						
1. China	37.7	Fixed 2	20	5,242.1	2 and 5.2 Fixed	20
2. Kuwait						
3. Saudi Arabia				55.0	2 Fixed	20
4. Korea						
Sub-Total B	37.7			5,297.1		
C. Multilateral						
1. IDB Short-term	488.8	5.0126 Fixed, LIBOR 6 Months 4.5, LIBOR EURO 12 Months	1	1,237.0	4.9 Fixed, LIBOR 12 months + 4.5 to 5.5	1
2. IDB						
3. IDA	1,425.4	1.25 to 2 Fixed	30	1,075.9	2 Fixed	25
4. ADB	762.1	2 Fixed & LIBOR 6 Months + 0.6	30	1,315.8	2 Fixed & LIBOR 6 months + 0.6	25
5. OPEC						
6. IBRD						
7. IFAD	31.6	Fixed 0.75				
8. EIB						
9. E.C.O BANK				35.0	LIBOR 6 months + 2.5	1
Sub-Total C	2,707.9			3,663.7		
D. Commercial Banks						
1. SCB (London)	100.1	LIBOR 3 Months + 4.25	4			
2. SUISSE AG, UBL, ABL				983.0	LIBOR 3 months +2.66 & 3.25	1
3. DUBAI BANK				70.0	LIBOR 6 months + 2.5	1
4. NOOR BANK PJSC				340.0	LIBOR 3 months + 3.75 & 4.1	1
Sub-Total (D)	100.1			1,393.0		
E. Commercial Banks						
1. Bonds 2019						
2. Bonds 2024						
3. Sukuk 2019	1,000.0	6.75 Fixed	5			
4. Bonds-2015-2025				500.0	8.25 Fixed	10
Sub-Total (E)	1,000.0			500.0		
Total (A+B+C+D+E)	3,845.7			10,990.6		

Source: Economic Affairs Division

TABLE 9.6

GRANT ASSISTANCE AGREEMENTS SIGNED

($ Million)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16 (Jul-Mar)
I. Paris Club Countries										
1. Australia	-	0.9	-	-	-	-	-	-	-	-
2. Austria	-	-	-	-	-	-	-	-	-	-
3. Canada	-	9.4	5.5	-	-	-	-	-	-	-
4. France		-	-	-	-	-	0.5	3.4	-	6.6
5. Germany	37.3	-	-	68.4	11.3	28.8	13.1	18.4	9.0	51.0
6. Japan	-	6.6	41.6	39.8	67.8	13.6	28.4	19.2	79.7	34.9
7. The Netherlands	-	-	-	-	-	-	-	-	-	-
8. Norway	-	-	-	4.4	5.0	-	12.4	-	-	-
9. Korea	-	-	-	1.5	5.0	-	-	-	-	-
10. Switzerland	-	-	-	-	1.3	-	-	-	-	-
11. UK	67.7	136.9	142.5	363.4	89.0	408.9	1,173.3	-	534.4	-
12. USA	269.4	118.9	377.4	1,046.1	1,215.3	-	70.0	150.0	-	-
13. Italy	-	-	-	-	-	-	-	-	-	-
14. Denmark	-	-	-	-	24.8	-	-	-	-	-
Sub-Total (I)	374.4	272.7	567.0	1,523.6	1,419.5	451.4	1,297.6	191.0	623.0	92.4
II. Non Paris Club Countries										
1. China	49.4	0.4	-	-	249.5	20.7	11.4	-	123.9	4.6
2. Iran	-		-	-	-	-	-	-	-	-
3. UAE	-	-	-	-	-	-	-	-	-	-
4. Oman	-	-	-	-	-	-	-	-	-	-
5. Saudi Arabia	-	-	-	-	-	-	-	26.7	-	53.5
Sub-Total (II)	49.4	0.4	-	-	249.5	20.7	11.4	26.7	123.9	58.1
III. Multilateral										
1. ADB	5.0		-	-	3.0	3.0	-	-	-	121.6
2. EEC / EU	58.1	-	25.2	80.2	144.6	37.7	19.6	200.7	-	93.0
3. Islamic Development Bank	-	-	-	-	0.3	-	-	-	-	-
4. IDA	9.1	0.1	5.5	-	18.5	8.0	-	9.0	-	-
5. IBRD	-	-	-	-	-	61.0	39.4	18.1	127.2	-
6. IFAD		-	-	-	-	-	-	-	0.5	-
7. UN and Specialised Agencies	-	-	-	-	-	-	-	2.4	-	-
8. UNDP Special Grant	2.5	1.4	-	-	-	-	-	-	-	-
9. World Food Programme	-	-	-	-	-	-	-	-	-	-
10. UNFPA	-	-	-	-	-	-	-	-	-	-
Sub-Total (III)	74.7	1.5	30.7	80.2	166.4	109.7	59.0	230.2	127.8	214.6
IV. Relief Assistance for										
A. Afghan Refugees	3.4	1.6	2.2	2.7	6.1	6.4	4.2	-	1.0	1.0
B. Earthquake										
1. Afghanistan	-	-	-	-	-	-	-	-	-	-
2. Algeria	-	-	-	-	-	-	-	-	-	-
3. Austria	-	-	-	-	-	-	-	-	-	-
4. Azerbaijan	-	-	-	-	-	-	-	-	-	-
5. Bhutan	-	-	-	-	-	-	-	-	-	-
6. Brunei	-	-	-	-	-	-	-	-	-	-
7. China	-	-	-	-	-	-	-	-	-	-
8. Cyprus	-	-	-	-	-	-	-	-	-	-
9. Indonesia	-	-	-	-	-	-	-	-	-	-
10. Jordan	-	-	-	-	-	-	-	-	-	-
11. Malaysia	-	-	-	-	-	-	-	-	-	-
12. Morocco	-	-	-	-	-	-	-	-	-	-
13. Oman	-	-	-	-	-	-	-	-	-	-
14. Pak-Turk foundation	-	-	-	-	-	-	-	-	-	-
15. Saudi Arabia	133.3	300.0	-	-	-	-	-	-	-	-
16. South Korea	-	-	-	-	-	-	-	-	-	-
17. Thailand	-	-	-	-	-	-	-	-	-	-
18. Turkey	-	-	10.0	-	-	-	-	-	-	-
19. UK	-	-	-	-	-	-	-	-	-	-
20. ADB	-	-	-	-	-	-	-	-	-	-
21. WB (IDA)	-	-	-	-	-	-	10.0	-	-	-
22. Germany	-	-	-	-	-	-	-	-	-	-
23. IDB	-	-	-	-	-	-	-	-	-	-
24. Mauritius	-	-	-	-	-	-	-	-	-	-
Sub-Total (IV)	136.7	301.6	12.2	2.7	6.1	6.4	14.2	-	1.0	1.0
Grand Total (I+II+III+IV)	635.2	576.2	609.9	1,606.5	1,841.6	588.3	1,382.3	447.9	875.6	366.2

Source : Economic Affairs Division

TABLE 9.7

TOTAL LOANS AND CREDITS CONTRACTED

($ Million)

Lending Country/Agency	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16 (Jul-Mar)
A. Paris Club Countries										
1. Austria	-	-	-	-	-	-	-	-	-	-
2. Australia	-	-	-	-	-	-	-	-	-	-
3. Belgium	-	-	-	-	-	-	-	-	-	-
4. Canada	-	-	-	-	-	-	-	-	-	-
5. France	50.0	-	98.0	103.6	103.9	-	88.9	83.3	-	47.0
6. Germany	6.0	-	138.0	20.3	-	-	-	27.3	-	44.5
7. Japan	198.2	460.4	-	249.4	237.4	62.8	-	49.3	-	45.3
8. Netherlands	-	-	-	-	-	-	-	-	-	-
9. Norway	-	-	-	-	-	-	-	-	-	-
10. Spain	-	-	-	-	-	-	-	-	-	-
12. UK	-	-	-	-	-	-	-	-	-	-
13. USA	-	-	-	-	-	-	-	-	-	-
14. Italy	-	12.1	-	-	53.5	72.7	-	-	-	-
15. Sweden	-	-	-	-	-	-	-	-	-	-
Sub-Total (A)	254.2	472.5	236.0	373.3	394.8	135.5	88.9	159.9	-	136.8
B. Non-Paris Club Countries										
1. China	-	328.0	800.0	1,979.8	213.7	851.1	448.0	6,493.8	37.7	5,242.1
2. Korea	-	20.0	205.0	-	-	-	-	-	-	-
3. Kuwait	38.1	-	-	49.9	42.6	-	-	-	-	-
4. Saudi Arabia	133.1	40.0	125.0	380.0	100.0	100.0	100.0	282.8	-	55.0
5. Turkey (EXIM Bank)	-	-	-	-	-	-	-	-	-	-
6. Abu Dhabi Fund	-	-	-	-	-	-	-	-	-	-
Sub-Total (B)	171.2	388.0	1,130.0	2,409.7	356.3	951.1	548.0	6,776.6	37.7	5,297.1
C. Multilateral										
1. IBRD	100.0	-	173.4	-	261.4	500.0	-	-	-	
2. IDA	912.0	259.1	1,529.0	508.4	603.0	1,703.3	242.9	1,554.1	1,425.4	1,075.9
3. ADB	1,443.3	1,436.4	1,760.0	711.8	892.6	504.9	170.8	2,148.8	762.1	1,315.8
4. IFAD	-	36.4	-	18.8	-	40.0	-	-	31.6	
5. European Investment Bank	-	-	-	149.5	-	-	-	136.5	-	-
6. ECOTDB	-	-	-	-	10.0	-	-	30.0	-	35.0
7. OPEC Fund	10.0	5.1	66.0	31.1	-	-	-	50.0	-	-
8. IDB	200.0	224.0	288.0	362.2	220.0	-	227.0	264.4	-	-
9. SCB (Singapore)	-	-	-	-	-	-	-	-	-	-
10.IDB (ST)	425.0	353.0	597.0	572.3	-	256.0	-	1,006.5	488.8	1,237.0
Sub-Total (C)	3,090.3	2,314.0	4,413.4	2,354.1	1,987.0	3,004.2	640.7	5,190.3	2,707.9	3,663.7
D. Bonds										
1. Bonds	-	750.0	-	-	-	-	-	2,000.0	1,000.0	500.0
Sub-Total (D)	-	750.0	-	-	-	-	-	2,000.0	1,000.0	500.0
E. Commercial Banks										
1. SCB London	-	-	-	-	-	-	-	172.5	100.1	
2. Dubai Bank										70.0
3. Noor Bank										340.0
4. SUISSE AG, UBL, ABL	-	-	-	-	-	-	-	200.0	-	983.0
Sub-Total (E)	-	-	-	-	-	-	-	372.5	100.1	1,393.0
Grand-Total (A+B+C+D+E)	3,515.7	3,924.5	5,779.4	5,137.1	2,738.1	4,090.7	1,277.6	14,499.2	3,845.7	10,990.6

Note: Total may differ due to rounding off

Source : Economic Affairs Division