

# Annual Borrowing Plan FY25



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

# Annual Borrowing Plan FY25

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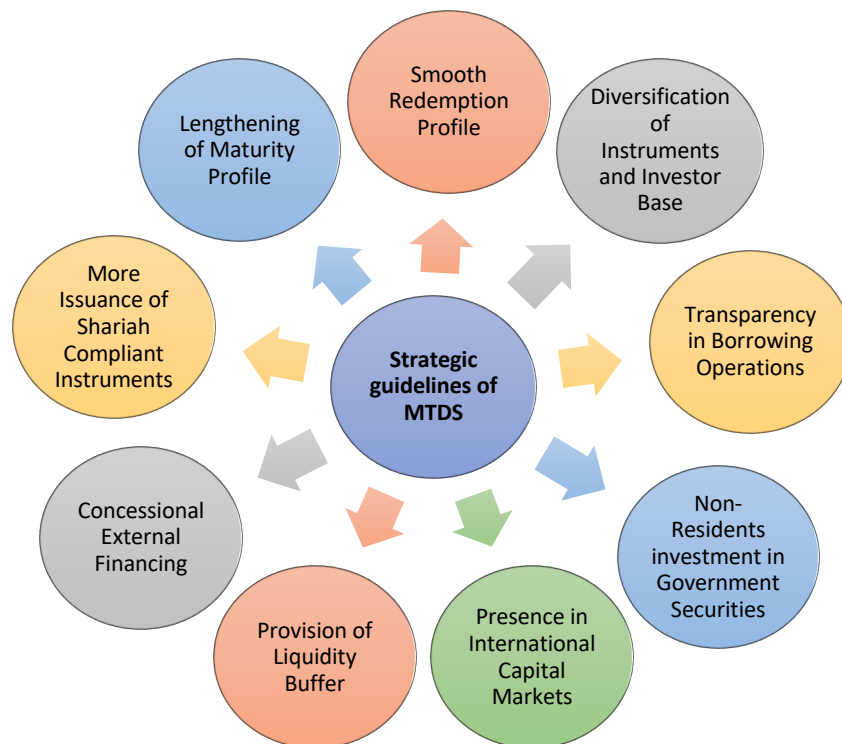
# Annual Borrowing Plan FY25

## 1.0 Introduction

- 1.1 Annual Borrowing Plan (ABP) lays down the borrowing strategy of the government to meet its Gross Financing Needs (GFN) i.e., fiscal deficit and debt maturities. It also provides a baseline on government's commitment towards fiscal accountability, promoting transparency, disseminating key updates on debt management, and predictability on debt borrowing operations.
- 1.2 Debt Management Office, Finance Division prepares the Annual Borrowing Plan as per Section 13 (2) j of the Fiscal Responsibility and Debt Limitation Act, 2005, as amended from time to time.
- 1.3 The financing numbers for FY25 depend on various macroeconomic factors and other parameters, making them subject to potential variations influenced by domestic and international macroeconomic conditions and debt market dynamics.

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

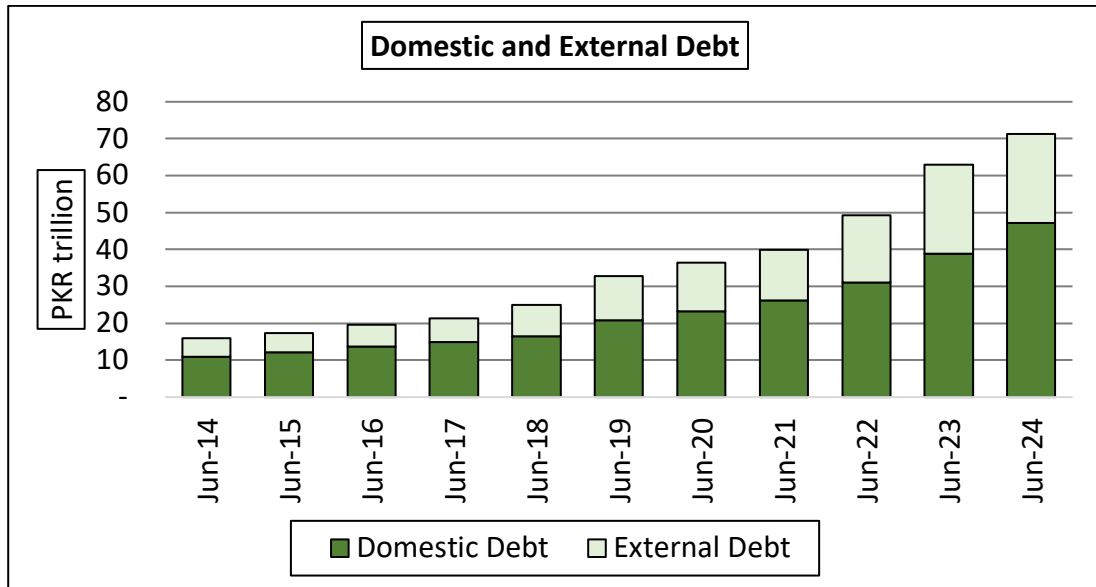
- 2.1 ABP is aligned with MTDS which itself is built upon the Medium-Term National Macro Fiscal Framework that aims at ensuring debt sustainability. MTDS reflects the optimum combination of borrowing from various sources keeping in view tradeoff between costs and risks. Following figure describes the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



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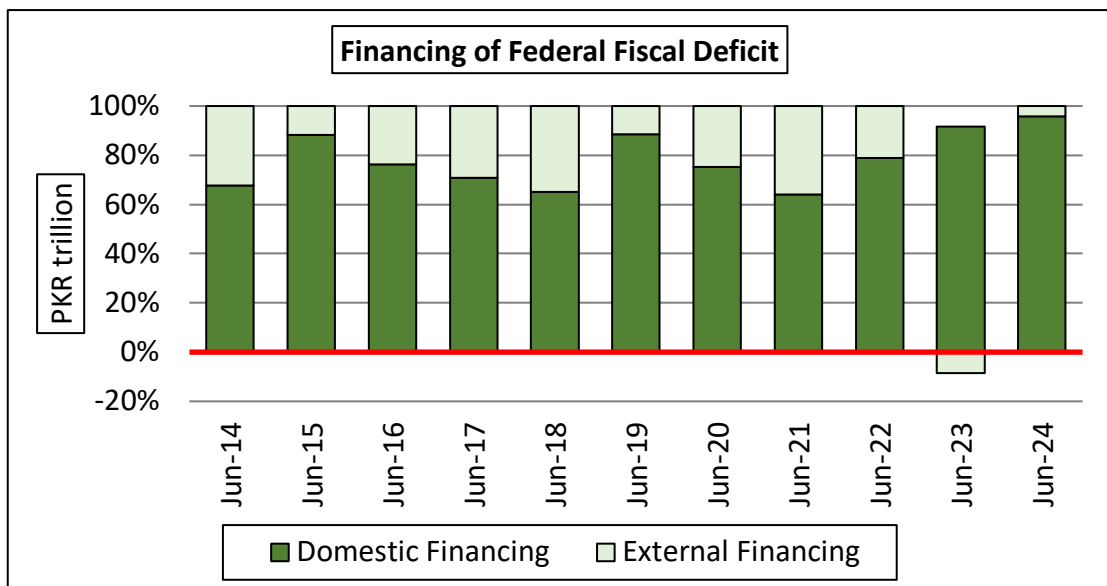
### 3.0 Public Debt Portfolio

- 3.1 Total public debt was recorded at PKR 71.2 trillion at end June 2024, of which, PKR 47.2 trillion was domestic debt and PKR 24.1 trillion was external debt. Following table describes the details of domestic and external debt over last 10 years:



### 4.0 Financing Proportion of Federal Fiscal Deficit

- 4.1 During FY14 to FY24, on average domestic financing constituted around 80 percent whereas external financing constituted around 20 percent of federal deficit financing. This has remained in-line with the medium-term debt strategy to keep the exposure of foreign currency within public debt to prudent levels. However, FY23 was challenging year in terms of external financing due to global macroeconomic downturn. Following table describes the proportion of domestic and external financing of federal fiscal deficit over the period of last 10 years:



### **5.0 Public debt issuance guidelines FY25**

#### **5.1 Domestic Financing**

##### **5.1.1 Financing of Federal Fiscal Deficit**

For FY25, the projected federal fiscal deficit is PKR 8,500 bn. Around 92 percent of financing will be carried out through domestic sources whereas 8 percent through external sources.

##### **5.1.2 Zero Net issuance through T-Bills**

Government plans to carry out zero net issuance through T-Bills during FY25. The existing maturities of 3-month, 6-month, and 12-month T-Bills will be rolled over.

##### **5.1.3 Issuance through long-term government securities**

The financing of federal fiscal deficit through domestic borrowing will be mostly carried out through issuance of long-term government securities i.e., Pakistan Investment Bonds, Government Ijara Sukuk. To this extent, the availability of wide range of instruments in-line with government's preference and market's appetite will be ensured. In addition to meeting the financing requirement, the target is also to increase the average time to maturity of domestic debt in-line with the MTDS targets.

##### **5.1.4 Investor Relations and Auction Calendar**

DMO shall remain engaged with the financial markets on frequent basis to deliver the updates on borrowing plan and obtain feedback from the market participants. Government will continue to make efforts for development of non-bank sector especially pension funds, insurance companies, asset management companies and retail investors and will continue to promote development of Shariah compliant debt market. Furthermore, government will continue to make auction targets, in-line with the borrowing requirement, debt strategy, and markets appetite, announced through the auction calendars.

##### **5.1.5 Zero borrowing from SBP**

Government is committed for zero financing from State Bank of Pakistan (SBP) in accordance with the SBP Act. Government will ensure efficient cash management in order to efficiently meet liquidity requirements.

##### **5.1.6 Reduction in Gross Financing Needs**

Reduction and maintenance of Gross Financing Needs to stable levels are important aspect of debt management. To this extent, government aims to reduce the GFN to GDP ratio to prudent levels over the medium-term. In addition to the fiscal consolidation measures in terms of revenue mobilization and expenditure rationalization, GFN will be reduced through the reduction of short-term debt over the medium-term. For FY25, the GFN to GDP ratio stands at around 26 percent (see table 2).

##### **5.1.7 Shariah Compliant debt issuance and Asset Light Sukuk structures**

While maximizing the Shariah Compliant debt securities issuance and efficient utilization of underlying assets, Government will continue to issue bai-Muajjal Sukuks as an alternative of zero-coupon instrument for a maximum tenor of 3 years and plans to introduce Asset Light Sukuk (ALS) structures. This will help to facilitate in development of market depth of Shariah compliant instruments.

### 5.1.8 Interest Rate risk

In order to manage the exposure of floating rate debt within government securities at prudent levels, government aims to increase the issuance of fixed rate debt securities in line with the MTDS targets.

### 5.1.9 Domestic Green Sukuk

Diversification of investor and instrument base is one of the key objectives of debt management. Furthermore, a transition towards sustainable finance is an important priority of the Government. In this regard, government aims to carry out issuance of domestic green sukuk during FY25. This is being achieved through a preparation of domestic green Sukuk framework. For this purpose, Meezan Bank Limited, Bank Alfalah Limited, Dubai Islamic Bank Pakistan limited, and BankIslami Pakistan Limited are acting as Joint Financial Advisors.

### 5.1.10 National Saving Schemes

Government plans to work towards creating an enabling environment for savings through improvements in National Saving Schemes and also make these schemes more cost effective.

## 5.2 External Financing

### 5.2.1 Multilateral loans

The government remains committed to complete all actions associated with multilateral program loans, which are in pipeline and are projected to be disbursed during the year. The key multilateral program loans during FY25 are from ADB which include: (i) Climate and Disaster Resilience Enhancement Program (sub-program I) amounting to US\$ 400 mn; (ii) Women Inclusive Finance (sub-program II) amounting to US\$ 100 mn; and (iii) Domestic Resource Mobilization (sub-program II) amounting to US\$ 300 mn. Furthermore, government aims to complete all the Performance and Policy Actions (PPAs) as agreed with the multilateral development partners.

### 5.2.2 Bilateral deposits

Government plans to roll-over the bilateral deposits from China amounting to US\$ 4.0 bn and Saudi Arabia amounting to US\$ 5.0 bn.

### 5.2.3 Foreign Commercial Bank Loans

Government aims to refinance the foreign commercial bank loans amounting to around US\$ 3,878 mn<sup>1</sup>. In addition to this, plan is to raise additional US\$ 1,200 mn as new commercial debt.

### 5.2.4 International Capital Markets

In relation to the international capital markets, Government aims to raise around US\$ 1.0 bn through the issuance of Panda Bonds in the Chinese Capital Markets and Green Bonds in the international capital markets. There is no maturity of Eurobond or International Sukuk during FY25.

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<sup>1</sup> This includes US\$ 1,300 mn of Industrial and Commercial Bank of China loan, which is treated as foreign currency denominated domestic debt.

### 5.2.5 Sustainable Finance Framework

Pakistan is grappling with profound impacts of climate change, such as shifting weather patterns and catastrophic floods. The scale of this climate transition underscores the need for sustainable finance. In this regard, government aims to establish a Sustainable Finance Framework in order to: (i) Promote sustainable and green financing; (ii) Counter and prevent adverse effects of Climate Change; (iii) Ensure adherence towards Sustainable Development Goals (SDGs); and (iv) Meet the targets as defined through Nationally Determined Contributions. For this purpose, Ministry of Finance is working with the Joint Sustainability Coordinators. With the positive macroeconomic developments and availability of opportune window, a possibility of an inaugural green, social or sustainability bond issuance will be explored during Q4 FY25.

### 5.2.6 Panda Bond

Government plans to carry out maiden issuance of Panda Bond in the Chinese Capital Markets. For this purpose, China Development Bank, China International Capital Corporation, Habib Bank Limited and Citi Bank are acting as Joint Financial Advisors. The plan is to carry out issuance of a Panda Bond with an amount equivalent to US\$ 300 mn during FY25. The process for engagement of third-party services i.e., domestic/international legal counsels and rating agencies is already underway.

### 5.2.7 Foreign portfolio investment in government securities, Naya Pakistan Certificate (NPC), Islamic Naya Pakistan Certificates (INPC)

Government will remain active for providing conducive investment environment for non-residents to invest in government securities, NPC, and INPC. The availability of underlying assets for smooth issuance of INPC is being ensured.

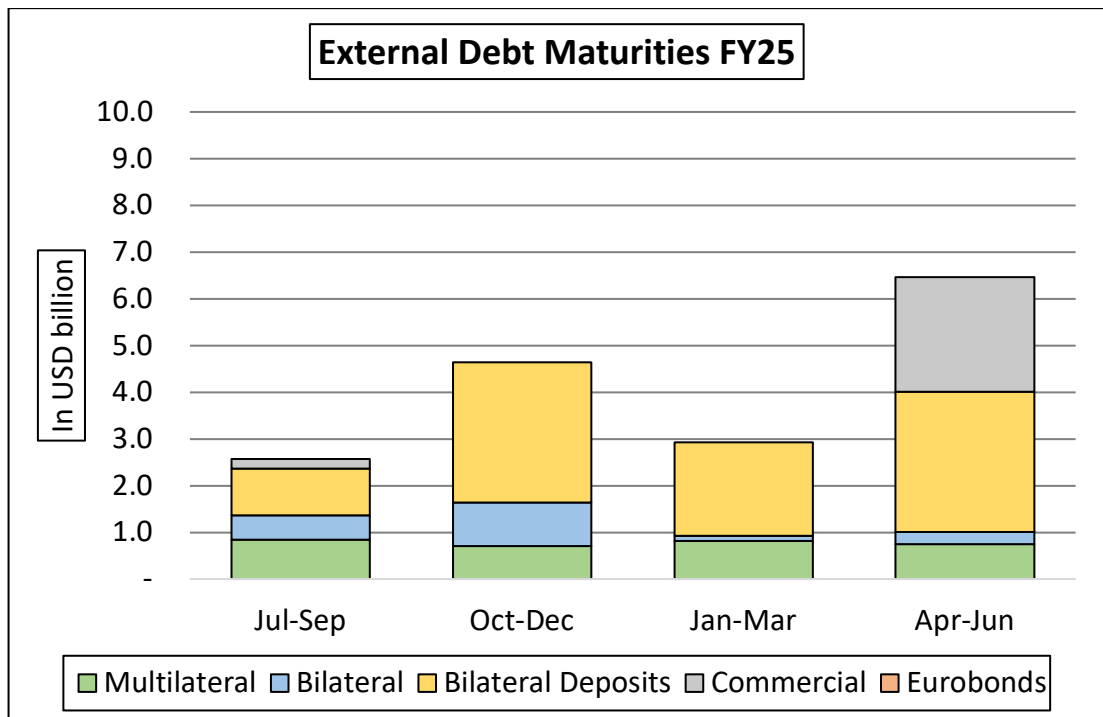
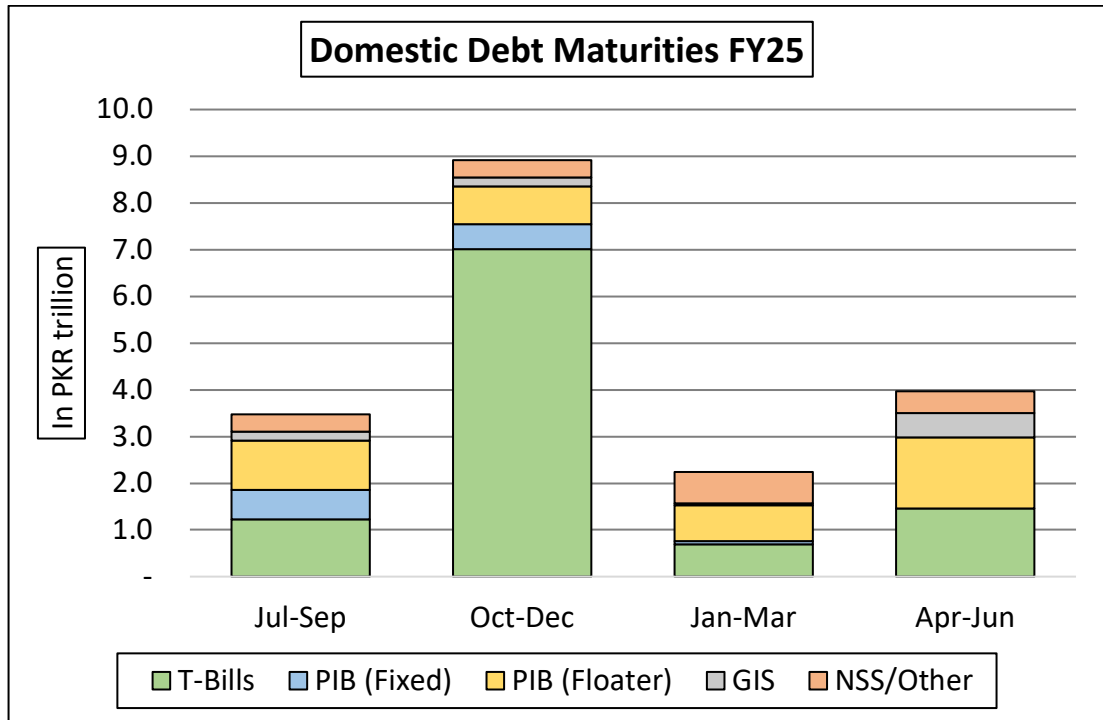
### 5.2.8 Coordinating with Sovereign Credit Rating Agencies

For the purpose of transparency and improved coordination, the Debt Management Office (DMO) will maintain its role in addressing inquiries from sovereign credit rating agencies regarding Public Debt, Fiscal Deficit Financing, Borrowing operations, and other related matters, in collaboration with pertinent government entities. This cooperative strategy aims to effectively oversee and communicate the Government's creditworthiness to international investors.

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### 6.0 Public Debt Maturities FY25

6.1 Following graphs describe the domestic and external debt maturities during FY25:





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### 7.0 Gross Financing Needs FY25

7.1 Below table describes the gross financing needs for FY25:

**Table 2: Gross Financing Needs FY25**

	In PKR bn	As % of GDP
<b>I+II Gross Financing Needs</b>	<b>31,907</b>	<b>26%</b>
<b>I Federal Fiscal Deficit</b>	<b>8,500</b>	<b>7%</b>
<b>II Debt Maturities</b>	<b>23,407</b>	<b>19%</b>
- Domestic	18,388	15%
- External	5,019	4%

Note: (i) Domestic maturities incorporate the stock of T-Bills as of end June 2024  
(ii) External maturities include bilateral deposits amounting US\$ 9.0 bn.

Source: Debt Management Office, Finance Division

### 8.0 Annual Borrowing Plan FY25

8.1 Below table describes the Annual Borrowing Plan for FY25:

<b>FEDERAL FISCAL DEFICIT FINANCING</b>		
	UNIT	FY25
<b>Federal Fiscal Balance</b>	<b>PKR BN</b>	<b>(8,500)</b>
o/w Primary Balance	PKR BN	1,275
o/w Interest Expense	PKR BN	(9,775)
External	PKR BN	(1,039)
Domestic	PKR BN	(8,736)
<b>Financing</b>	<b>PKR BN</b>	<b>8,500</b>
External	PKR BN	666
Domestic	PKR BN	7,834
<b>EXTERNAL FINANCING</b>		
<b>External Netflow</b>	<b>US\$ MN</b>	<b>2,259</b>
Multilateral	US\$ MN	1,387
Bilateral	US\$ MN	(1,467)
Commercial banks	US\$ MN	1,200
Eurobonds	US\$ MN	1,000
Naya Pakistan Certificate / Other	US\$ MN	139
<b>External Inflow</b>	<b>US\$ MN</b>	<b>19,274</b>

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FEDERAL FISCAL DEFICIT FINANCING		
	UNIT	FY25
Multilateral	US\$ MN	4,567
Bilateral	US\$ MN	9,416
Commercial banks	US\$ MN	3,779
Bonds	US\$ MN	1,000
Naya Pakistan Certificate / Other	US\$ MN	512
<b>External Outflow</b>	<b>US\$ MN</b>	<b>(17,015)</b>
Multilateral	US\$ MN	(3,180)
Bilateral	US\$ MN	(10,883)
Commercial banks	US\$ MN	(2,579)
Bonds	US\$ MN	-
Naya Pakistan Certificate / Other	US\$ MN	(373)
DOMESTIC FINANCING*		
<b>Domestic Netflows</b>	<b>PKR BN</b>	<b>7,834</b>
Treasury Bills	PKR BN	-
Pakistan Investment Bonds	PKR BN	5,414
Government Ijara Sukuk	PKR BN	2,313
National Saving Schemes / Other	PKR BN	107
<b>Domestic Inflow</b>	<b>PKR BN</b>	<b>28,486</b>
Treasury Bills	PKR BN	12,511
Pakistan Investment Bonds	PKR BN	10,800
Government Ijara Sukuk	PKR BN	3,066
National Saving Schemes / Other	PKR BN	2,109
<b>Domestic Outflow</b>	<b>PKR BN</b>	<b>(20,651)</b>
Treasury Bills	PKR BN	(12,511)
Pakistan Investment Bonds	PKR BN	(5,386)
Government Ijara Sukuk	PKR BN	(753)
National Saving Schemes / Other	PKR BN	(2,001)

Source: Debt Management Office, Budget Wing (Finance Division), Ministry of Economic Affairs, and State Bank of Pakistan. PKRUSD exchange rate for FY25 is 295.

\*includes privatization proceeds of PKR 30 bn.