

DEBT POLICY STATEMENT

JANUARY 2021



Debt Policy Coordination Office
Ministry of Finance

DEBT POLICY STATEMENT

January, 2021

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Kamran Ali Afzal
Finance Secretary
Ministry of Finance

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1.0 Introduction

- 1.1 Developing countries like Pakistan, with limited financial resources, need to borrow in order to facilitate the development process while ensuring that the level of debt is prudently managed keeping in view the country's repayment capacity.
- 1.2 Debt risks in developing countries were already high prior to the pandemic. These risks have become more pronounced as countries are faced with additional spending needs to finance the immediate health response, provide support to households and firms, and invest in the recovery once the pandemic is under control. At the same time, revenues are contracting. The detrimental impact on resources can be gauged from the fact that in just one year, the Global public debt stocks are projected to jump by 13 percentage points of Gross World Product, from 83 to 96 percent (IMF Fiscal Monitor, 2020)¹. Whereas, Pakistan's economy showed greater resilience as Debt-to-GDP ratio witnessed minimal increase of 1.1 percent during FY 2019-20.
- 1.3 Fiscal year 2019-20 was a very good year with respect to debt management. Various positive developments were witnessed, some of them are as follow:
- Government prepared its Medium-Term Debt Management Strategy for a period of four years (FY 2019/20 - 2022/23), wherein, certain benchmarks and year-wise indicative risk ranges were defined to monitor the risks of total public debt portfolio and ensure its sustainability. Government remained within the stated benchmarks of risk indicators and achieved all targets set for the fiscal year 2019-20;
 - Domestic borrowing was made entirely from the financial markets. No borrowing was made from State Bank of Pakistan (SBP) since July 2019. In fact, an amount of Rs 569 billion was repaid to SBP during the year. This policy reflects the government's commitment to greater fiscal discipline, macroeconomic stability and development of domestic financial markets;
 - More than 90 percent of the borrowing needed to finance the fiscal deficit was made through longer-term debt (Pakistan Investment Bonds (PIBs) and National Savings Schemes);
 - Government largely adhered to the targets announced for the auctions of government's debt securities. The enhanced transparency and credibility of the auctions encouraged greater participation and competition in the auctions and also led to lower borrowing cost. Government was consistently able to borrow at very reasonable rates relative to the prevailing inflation rates and the SBP's Policy Rate;

¹ <https://www.un.org/development/desa/dpad/publication/un-desa-policy-brief-72-covid-19-and-sovereign-debt/>

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- At higher interest rates, relatively larger amounts were borrowed through floating-rate instruments. Whereas, the borrowing targets for fixed rate bonds were revised upward after decline in interest rates;
- After a gap of many years, government has started issuance of shariah-compliant Government Ijara Sukuks (GIS). These are contributing towards development of Shariah-Compliant debt markets and also lowering the borrowing cost of the government;
- 15-Year fixed rate PIBs were reintroduced (April 2020) after many years in order to issue more long-term debt and to provide more options to long-term investors;
- 3 and 5-Year floating rate PIBs were introduced to provide the investors with suitable substitutes to Treasury Bills (T-bills) and to lengthen the average maturity of domestic debt;
- With effect from 1st July 2020, all institutional investors have been barred from investing in National Saving Schemes (NSS). In future, all institutions will invest in government debt securities through the competitive primary (auction) and secondary markets. This will help in deepening of financial markets and lower the government's long-term borrowing costs by creating more competition for long-term debt; and
- Pakistan is availing the G-20 Debt Service Suspension Initiative (DSSI) for a period of 14 Months (May 2020-June 2021) which will help to reduce the debt servicing impact to the tune of around US\$ 2.6 billion during this period.

2.0 Debt Policy Statement

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

- (1) The Federal Government shall cause to be laid before the National Assembly, the Debt Policy Statement by the end of January each year.
- (2) The purpose of the Debt Policy Statement is to allow the assessment of the Federal Government's debt policies against the principles of sound fiscal and debt management and debt reduction path.
- (3) In particular and without prejudice to the provisions of sub-section (2) the Debt Policy Statement shall, *inter alia*, contain -
 - (a) assessment of the Federal Government's success or failure in meeting the targets of total public debt to estimated gross domestic product for any given year as specified in the debt reduction path;
 - (b) evaluations of external and domestic borrowing strategies and provide policy advice on these strategies;
 - (c) analysis of foreign currency exposure of Pakistan's external debt;

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- (d) consistent and authenticated information on public and external debt and guarantees issued by the Federal Government;
- (e) information of all loan agreements contracted, disbursements made thereof and repayments made thereon, if any, by the Government during the fiscal year; and
- (f) analysis of trends in public debt and external debt and steps taken to conform to the debt reduction path as well as suggestions for adjustments, if any, in the Federal Government's overall debt strategy.

3.0 Review of Public Debt

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

Table-1: Total Public Debt

(Rs in billion)

	Jun-19	Jun-20	Sep-20
Domestic Debt	20,732	23,283	23,702
External Debt	11,976	13,116	13,247
Total Public Debt	32,708	36,399	36,949
Total Debt of Government¹	29,521	33,252	33,729
Memorandum Items			
Total Public Debt as percentage of GDP	86.1	87.2	81.1
Total Debt of Government as percentage of GDP	77.7	79.7	74.0
GDP (current market price)	37,972	41,727	45,567
Government deposits with the banking system ²	3,187	3,146	3,220
US Dollar, last day average exchange rates	163.1	168.2	165.2

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

2. Accumulated deposits of the Federal and Provincial Governments with the banking system.

Source: State Bank of Pakistan

3.2 Total public debt was recorded at Rs 36,399 billion at end-June 2020, recording an increase of Rs 3,691 billion during FY 2019-20. Component wise break-up of this increase was as follow:

Table-2: Component Wise Increase in Total Public Debt

(Rs in billion)

	June-19	June-20	Change
Total Public Debt	32,708	36,399	3,691
Reasons for Increase:			
Financing of Federal Primary Deficit			982
Interest on Debt			2,620
Exchange Rate Devaluation Effect			399
Cash Buffer / Other Reasons			(310)

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

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- 3.3 As highlighted in the table above, Federal primary deficit was recorded at Rs 982 billion during FY 2019-20. After a gap of many years, overall primary surplus of Rs 194 billion was recorded during July 2019 - March 2020 owing to higher growth in tax and non-tax revenues and aggressive expenditure management. After the onset of the pandemic, the government could not maintain the primary surplus for the entire year as pressures emerged simultaneously on both revenue and expenditure sides i.e. the government announced fiscal stimulus package to protect the vulnerable segments of the society and to shore up its healthcare facilities while revenues shrank considerably due to lockdowns. However, it is important to note that federal primary deficit still reduced to Rs 982 billion during FY 2019-20 compared with Rs 1,544 billion during last year.
- 3.4 The other main reason for accumulation of debt during FY 2019-20 was interest payments on existing debt. It is important to highlight that interest payments on debt obtained by the previous governments constituted a major share in total interest payments during the year. Government also used portion of its cash balances to finance the federal fiscal deficit, leading to reduction in total public debt stock. The currency devaluation impact was much lower in FY 2019-20 as Pak Rupee depreciated only by 3 percent against US Dollar during the year.
- 3.5 In FY 2019-20, the Debt-to-GDP ratio was expected to decline to around 84 percent on the back of strong growth in revenue and strict control on current expenditure. However, COVID-19 adversely affected the economy and slowed down the reforms program, resulting in higher than anticipated Debt-to-GDP ratio of 87.2 percent at end June 2020 compared with 86.1 percent at end June 2019. Based on prudent economic policies of the present government, Debt-to-GDP ratio is projected to decline over the next few years.
- 4.0 Domestic Debt**
- 4.1 Domestic debt comprises three main categories (i) permanent debt (medium and long- term); (ii) floating debt (short-term); and (iii) unfunded debt (primarily made up of various instruments available under National Savings Schemes).
- 4.2 Domestic debt stock was recorded at Rs 23,283 billion at end June 2020, registering an increase of Rs 2,551 billion during FY 2019-20 compared to the increase of Rs 4,315 billion during last year. Despite challenging macroeconomic situation, domestic borrowing operations remained quite successful as highlighted in the section 1 of this document.

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

	Jun-19	Jun-20	Sep-20
Permanent Debt	12,087	14,031	14,929
Prize Bonds*	894	734	734
Pakistan Investment Bonds (PIB)**	10,933	12,886	13,195
GOP Ijara Sukuk	71	198	246
Bai-Muajjal of Sukuk	178	201	201
Other	11	11	11
Floating Debt	5,501	5,578	5,333
Market Treasury Bills**	4,930	5,577	5,332
MTBs for Replenishment	571	1	1
Unfunded Debt	3,144	3,674	3,672
Defense Saving Certificates	393	486	485
Special Savings Certificates (Registered)	414	428	431
Regular Income Certificates	490	573	573
Behbood Savings Certificates	915	998	1,000
Special Savings Accounts	417	617	612
Pensioners' Benefit Account	318	352	353
Postal Life Insurance Schemes	48	49	48
GP Fund	104	102	102
Other	46	69	69
Total Domestic Debt	20,732	23,283	23,392

*Includes Premium Prize Bonds (Registered)

Source: State Bank of Pakistan

**Govt. Securities held by nonresidents deducted from PIB's and T-bills

5.0 External Debt

5.1 External public debt was recorded US\$ 78 billion at end June 2020 and increased by around US\$ 4.6 billion during the year. This increase reveals the following:

- Debt from multilateral and bilateral sources increased by US\$ 5.6 billion. This amount also includes US\$ 1.4 billion under IMF's Rapid Financing Instrument (RFI) facility in order to counter the negative impacts of the outbreak on the economy by increasing social sector spending. Overall, loans from multilateral and bilateral loans are mostly contracted on concessional terms (low cost and longer tenor);
- The stock of commercial loans/Eurobonds registered a decrease of US\$ 1.7 billion; and
- Non-resident investment in government securities was recorded at US\$ 0.7 billion. It is important to highlight that Government of Pakistan does not have any currency exposure on these securities as these are denominated in Pak Rupee.

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Table-4: External Public Debt - (\$ in million)

	Jun-19	Jun-20	Sep-20
External Public Debt (i+ii)	73,449	77,994	79,906
i) Long term (>1 year)	72,184	76,453	78,734
Paris Club	11,235	10,924	11,203
Multilateral	33,436	38,578	39,989
Other Bilateral	12,717	13,428	14,411
Euro/Sukuk Global Bonds	6,300	5,300	5,300
Commercial Loans/Credits	8,470	8,068	7,643
Local Currency Securities (PIBs)	0	96	119
NBP/BOC deposits/PBC*	26	59	69
ii) Short term (<1 year)	1,264	1,542	1,171
Multilateral	778	814	510
Local Currency Securities	0	586	546
Commercial Loans/Credits	486	141	115

*: Pakistan Banao Certificates (PBC) issued by Government of Pakistan for overseas Pakistanis, effective from 4 February 2019

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

- 5.2 Pakistan's external debt is derived from four key sources, with 51 percent coming from multilateral loans, 31 percent from bilateral loans and 18 percent from commercial sources (including Eurobonds/International Sukuk). Multilateral and bilateral sources still cumulatively constitute 82 percent of external public debt portfolio as at end June 2020. These concessional loans are primarily utilized to remove structural growth anomalies and promote reform in the areas of energy, taxation, business, trade and education.
- 5 (i) Debt Service Suspension Initiative (DSSI)**
- 5.3 In April 2020, G20 countries extended a time-bound suspension of debt service payments to minimize economic and social damage caused by the pandemic, restore economic growth, maintain market stability and strengthen resilience of developing countries.
- 5.4 DSSI was based on the standardized term sheet whereby all relevant bilateral countries agreed to suspend principal and interest payments for a period of 8 months starting from 1st May 2020 till 31st December 2020. The repayment period for this restructuring is four years including one year grace period. Pakistan along with other developing countries availed DSSI. The restructuring amount is provisionally estimated at US\$ 1.7 billion.
- 5.5 G-20 countries in November 2020 have further extended the suspension period for another 6 months until June 30, 2021. Under this initiative (DSSI-II), the repayment period will be 6 years including one year grace period. Pakistan would be able to defer around US\$ 0.8 billion through this arrangement.

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

5.6 Gross external disbursements were US\$ 13,074 million while fresh commitments were US\$ 10,447 million (including grants) during FY 2019-20. The details of gross external inflows from main sources were as follows:

- Disbursements from multilateral sources remained the main contributor in external public debt disbursements with a share of 64 percent in total disbursements or US\$ 8,329 million. Out of this, US\$ 2,827 million were received from the IMF, US\$ 2,782 million from Asian Development Bank (ADB), US\$ 1,326 million from World Bank (WB) while US\$ 1,395 million accounted from other multilateral sources. Within multilateral sources, disbursements from ADB, WB and IMF constituted 83 percent of total disbursements during FY 2019-20;
- Disbursements from bilateral sources were US\$ 1,398 million, received mainly from Saudi Arabia (US\$ 777 million) and China (US\$ 486 million); and
- Government received US\$ 3,347 million from commercial banks during FY 2019-20. The break-up of this number shows that loans amounting to US\$ 2,200 million were refinanced from Chinese Commercial Banks while fresh commercial loans were obtained to pay back the existing short-term commercial loans maturities;

5.7 External public debt repayments increased to US\$ 9,043 million during FY 2019-20 compared with US\$ 7,355 million in the preceding fiscal year. This increase was mainly on the back of repayments of US\$ 5,060 million against commercial/short-term loans and US\$ 1,000 million against international Sukuk. The source wise details of external public debt inflows and outflows over last two years are depicted in the table below:

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Table-5: Source Wise External Inflows and Outflows (\$ in million)

	FY19	FY20	Jul-Sep, 2020
DISBURSEMENTS			
Multilateral	2,021	8,329	1,684
Bilateral	4,377	1,398	1,032
Bonds	-	-	-
Commercial/Short Term	4,098	3,347	135
Total Inflows (A)	10,496	13,074	2,851
REPAYMENTS			
Multilateral	1,750	2,199	696
Bilateral	970	784	70
Bonds	1,000	1,000	-
Commercial/Short Term	3,634	5,060	930
Total Repayments (B)	7,355	9,043	1,696
Net Inflows (A-B)	3,140	4,031	1,155
INTEREST PAYMENTS			
Multilateral	584	637	143
Bilateral	541	485	58
Bonds	503	396	32
Commercial/Short term	475	514	121
Total Interest Payments (C)	2,103	2,032	355
Total Debt Servicing (B+C)	9,458	11,075	2,051

Above data excludes disbursements from Pakistan Banao Certificates and non-resident investment in Government Securities

Source: Economic Affairs Division and State Bank of Pakistan

5 (iii) - Currency Movements and Revaluation Impact

5.8 Following factors influenced the movement in external public debt stock during FY 2019-20:

- In US Dollar terms, revaluation gain owing to appreciation of US Dollar against other international currencies reduced the external public debt by around US\$ 0.5 billion;
- Pak Rupee depreciated by 3 percent against US Dollar during the year which led to an increase in external public debt when reported in Pak Rupee terms i.e. out of Rs 1,140 billion increase recorded in total public debt during FY 2019-20, around Rs 400 billion was due to the currency depreciation.

5 (iv) - External Account

5.9 Large fiscal deficits, a loose monetary policy, and defense of overvalued exchange rate under the previous regime fueled consumption and short-term growth and eroded macroeconomic buffers, increased public debt, and depleted international reserves. Current account deficit recorded at historic high of US\$ 19.2 billion during FY 2017-18.

5.10 The external account improved significantly during FY 2018-19 and FY 2019-20. Current Account Deficit (CAD) stood at US\$ 3 billion (fell to a five-years low)

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during FY 2019-20. The lower CAD significantly reduced the country's need to arrange external financing.

5.11 The external sector continues to strengthen, with current account surplus posed in Q1-FY 2020-21 recording the first quarterly surplus in more than five years. After remaining positive for all five months of ongoing fiscal year, the cumulative current account during July - November 2020 recorded at a surplus of US\$ 1.6 billion. This turnaround was supported by an improvement in the trade balance and surge in remittances.

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

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

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

Risk Exposure	Indicators	Indicative Benchmarks (FY20-FY23)	FY 2019-20	
			Target	Actual
Currency Risk	Share of External Debt in Total Public Debt	40% (Maximum)	-	36
Refinancing Risk	ATM of Domestic Debt (Years)	3.5 (Minimum)	4.0	4.1
	ATM of External Debt (Years)	6.5 (Minimum)	7.0	7.0
	Gross Financing Needs (% of Total)	35% (Maximum)	32	31
Share of Shariah Compliant Instruments in Government Securities (%)		-	2.0	2.0
Share of Fixed Rate Debt in Government Securities (%)		25% (Minimum)	30	34

Note: Total Means Total Public Debt at the end of relevant period

Source: Debt Policy Coordination Office, Ministry of Finance

6.2 As evident from the table above, the government remained within the stated benchmarks of risk indicators during FY 2019-20. In fact, the government has achieved all the targets set for FY 2019-20 with respect to debt risk indicators.

6.3 Government has been able to reduce the refinancing risk of its public debt portfolio. Average time to maturity of domestic debt portfolio was 4.1 years at end June 2020 compared with 1.6 years at end June 2018. External debt's average time to maturity is already 7 years and government intends to maintain it over medium to long term.

7.0 Guarantees

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

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Table-7: Government Guarantees Stock

	(Rs in billion)		
	Jun-19	Jun-20	Sep-20 (P)
Outstanding guarantees extended to PSEs	1,969	2,344	2,343
-Domestic Currency	1,464	1,631	1,647
-Foreign Currency	505	713	696
Memo:			
Foreign Currency (US\$ Billion)	3.2	4.2	4.2

P: Provisional

Source: Debt Policy Coordination Office, Ministry of Finance

- 7.2 The volume of new government guarantees issued during a financial year is limited under Fiscal Responsibility and Debt Limitation Act at 2 percent of GDP. This limit is applicable on guarantees issued both in local and foreign currencies. During FY 2019-20, the government issued new guarantees including rollovers amounting to Rs 342 billion or 0.8 percent of GDP.
- 8.0 Conclusion**
- 8.1 Government is taking necessary steps for ensuring fiscal discipline, stabilizing the economy and accelerating growth. Government will continue to implement growth-friendly policies and structural reforms to boost potential growth while strengthening social safety nets. These measures will place public debt on firm downward trajectory, while government's efforts to improve maturity structure will enhance public debt sustainability.
- 8.2 Over the medium term, the government's objective is to bring and maintain its Public Debt-to-GDP and Debt Service-to-Revenue ratios to sustainable levels through a combination of greater revenue mobilization, rationalization of current expenditure and efficient/productive utilization of debt. Government also aims to reduce its "Gross Financing Needs (GFN)" through various measures mainly including (i) better cash flow management through a treasury single account; (ii) lengthening of maturities in the domestic market keeping in view cost and risks trade-off; (iii) developing regular Islamic based lending program; and (iv) avail maximum available concessional external financing from bilateral and multilateral development partners to benefit from concessional terms and conditions.

ANNEXURES

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(1) PUBLIC DEBT

Public Debt Servicing

(Rs in billion)

	FY 2019-20			
	Budgeted	Actual	Percent of Revenue	Percent of Current Expenditure
Repayment of External Debt	1,203.6	1,362.4	21.7	16.0
Total External Principal Repayment (A)	1,203.6	1,362.4	21.7	16.0
Servicing of External Debt	359.8	306.6	4.9	3.6
Servicing of Domestic Debt	2,531.7	2,313.1	36.9	27.1
Total Interest Servicing (B)	2,891.4	2,619.7	41.8	30.7
Total Servicing of Public Debt (A+B)	4,095.0	3,982.1	63.5	46.7

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

Currency Composition of Total Public Debt

Currencies	Percentage of Total Public Debt
Pak Rupee	64
US Dollar	19
Special Drawing Right	13
Japanese Yen	3
Euro	1
Total	100

Source: Debt Policy Coordination Office, Ministry of Finance

(2) DOMESTIC DEBT

Instrument-Wise Composition of Domestic Debt

		Jun-19		Jun-20	
		Rs in billion	% of Total	Rs in billion	% of Total
I+II+III	Total Domestic Debt	20,732	100	23,283	100
I	Permanent Debt	12,087	58	14,031	60
	- PIBs	10,933	53	12,886	55
	- Prize Bonds	894	4	734	3
	- Sukuk / Bai-Muajjal	249	1	399	2
	- Others	11	0	11	0
II	Floating Debt	5,501	27	5,578	24
	- T-Bills	5,501	27	5,578	24
III	Unfunded Debt	3,144	15	3,674	16
	- NSS	2,992	14	3,523	15
	- Others	152	1	151	1

Note: Excluding Domestic Government Securities held by Non-Residents, Total Means Total Domestic Debt at the end of relevant period

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

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

		Jun-19	% of Total	Jun-20	% of Total
I+II	Total Domestic Debt	20,732	100	23,283	100
I	Government Securities	16,683	80	18,864	81
	- Held by Scheduled Banks	6,931	33	9,398	40
	- Held by SBP	7,760	37	7,191	31
	- Held by Non-Banks	1,992	10	2,274	10
II	Non-Bank Debt	4,049	20	4,419	19
	- NSS (including Prize Bonds)	3,886	19	4,258	18
	- Other (GP Fund, PLI)	163	1	161	1

Note: Total Means Total Domestic Debt at the end of relevant period

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

Domestic Debt Held by Banking System (Secondary Market Position) (Rs in billion)

		Jun-19	% of Govt Sec	Jun-20	% of Govt Sec
I+II	Debt Held by Banking System	14,691	88	16,589	88
I	Bonds	9,758	58	11,632	62
	- Held by Scheduled Banks	2,568	15	4,442	24
	- Held by SBP	7,190	43	7,190	38
II	Treasury Bills	4,933	30	4,958	26
	- Held by Scheduled Banks	4,363	26	4,957	26
	- Held by SBP	570	4	1	0

Note: Government Securities means securities held by banking and non-banking sectors at the end of relevant period

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

Maturity Profile of Domestic Debt (Rs in billion)

		Jun-19	% of Total	Jun-20	% of Total
I+II	Total Domestic Debt	20,732	100	23,283	100
I	Short-Term Debt (< 1 Year)	7,565	36	7,182	31
	- T-Bills	5,501	26	5,578	24
	- Long-Term Debt (Remaining Maturity < 1)	2,064	10	1,604	7
II	Long-Term Debt (> 1 Year)	13,167	64	16,101	69

Note: Total Means Total Domestic Debt at the end of relevant period

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

Interest Rate Type of Domestic Debt (Rs in billion)

		Jun-19	% of Total	Jun-20	% of Total
I+II	Total Domestic Debt	20,732	100	23,283	100
I	Floating Rate	11,285	55	12,379	53
	- T-Bills	5,501	27	5,578	24
	- Floating Rate Bonds	5,784	28	6,801	29
II	Fixed Rate	9,447	45	10,904	47

Note: Total Means Total Domestic Debt at the end of relevant period

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

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(3) EXTERNAL DEBT

Source Wise External Public Debt Composition

		Jun-19		Jun-20	
		\$ Million	% of Total	\$ Million	% of Total
I+II+III	External Public Debt	73,449	100	77,994	100
I	Multilateral	34,214	47	39,392	51
	- World Bank	15,547	21	16,184	21
	- Asian Development Bank	10,770	15	12,741	16
	- IMF	5,648	8	7,680	10
	- Others	2,249	3	2,787	4
II	Bilateral	23,952	33	24,352	31
	- Paris Club	11,235	15	10,924	14
	- Non-Paris Club	12,717	17	13,428	17
III	Commercial	15,282	21	14,251	18
	- Eurobonds / Pakistan International Sukuk	6,300	9	5,300	7
	- Loans from Commercial Banks/Others	8,982	12	8,951	11

Note: Total Means Total External Public Debt at the end of relevant period

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

Maturity Profile of External Public Debt

(\$ Million)

		Jun-19	% of Total	Jun-20	% of Total
I+II	External Public Debt	73,449	100	77,994	100
I	Short-Term Debt (< 1 Year)	11,910	16	12,241	16
	- Safe China Deposit	3,000	4	3,000	4
	- Loans from Foreign Commercial Loans	486	1	-	-
	- IDB Short-Term	778	1	814	1
	- Local Currency Securities (T-Bills)	-	-	586	1
	- Long-Term Debt (Remaining Maturity < 1)	7,646	10	7,841	10
II	Long-Term Debt (> 1 Year)	61,539	84	65,753	84

Note: Total Means Total External Public Debt at the end of relevant period

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

Interest Rate Type of External Public Debt

(\$ Million)

		Jun-19	% of Total	Jun-20	% of Total
I+II	External Public Debt	73,449	100	77,994	100
I	Floating Rate	21,875	30	23,348	30
II	Fixed Rate	51,574	70	54,646	70

Note: Total Means Total External Public Debt at the end of relevant period

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

Debt Policy Statement - January 2021

Pakistan Sovereign Bonds - Secondary Trading Levels

Bond	Ratings			Maturity	Size (\$ in million)	Coupon (%)	Price	Yield (%)	Z-Spread (bps)
	M	S&P	F						
Sukuk	B3	-	B-	Oct-21	1,000	5.500	100.5	4.936	472
Sukuk	B3	B-	-	Dec-22	1,000	5.625	100.5	5.364	513
Eurobond	B3	B-	B-	Apr-24	1,000	8.250	106.1	6.237	595
Eurobond	B3	-	B-	Sep-25	500	8.250	106.9	6.580	620
Eurobond	B3	B-	-	Dec-27	1,500	6.875	100.5	6.784	624
Eurobond	B3	B-	B-	Mar-36	300	7.875	100.0	7.874	698

Source: Bloomberg as of 3rd December 2020

Debt Policy Statement - January 2021

Government of Pakistan
Finance Division

Subject: **STATEMENT OF RESPONSIBILITY UNDER SECTION 10(1) (a) OF FISCAL RESPONSIBILITY AND DEBT LIMITATION ACT, 2005**

Stated that all policy decisions with material economic or fiscal implications that the Federal Government has made before 19th January 2021, the day on which the contents of the Debt Policy Statement were finalized and all other circumstances with material economic or fiscal implications of which I was aware before that day have been communicated to the Secretary of Finance;

The statement to the best of our knowledge provides for:

- a) The integrity of the disclosures contained in the economic policy statements;
- b) The consistency with the requirements of this Act of the information contained in the economic policy statements; and
- c) The omission from the economic policy statement of any decision or circumstance specified in sub-section (3) of section 8.

(Dr. Abdul Hafeez Shaikh)
(Finance Minister)

Debt Policy Statement - January 2021

Government of Pakistan
Finance Division

Subject: **STATEMENT OF RESPONSIBILITY UNDER SECTION 10(1) (b) OF FISCAL RESPONSIBILITY AND DEBT LIMITATION ACT, 2005**

Stated that Ministry has supplied to the Minister, using its best professional judgment on the basis of economic and fiscal information available to it before 19th January 2021, the day on which the contents of the Debt Policy Statement were finalized, a Debt Policy Statement incorporating the fiscal and economic implications of those decisions and circumstances, but any decision or circumstances that the Minister has determined under sub-section (3) of section 8 of the Fiscal Responsibility and Debt Limitation Act, 2005, have not been incorporated in the Debt Policy Statement.

(Kamran Ali Afzal)
Finance Secretary

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