

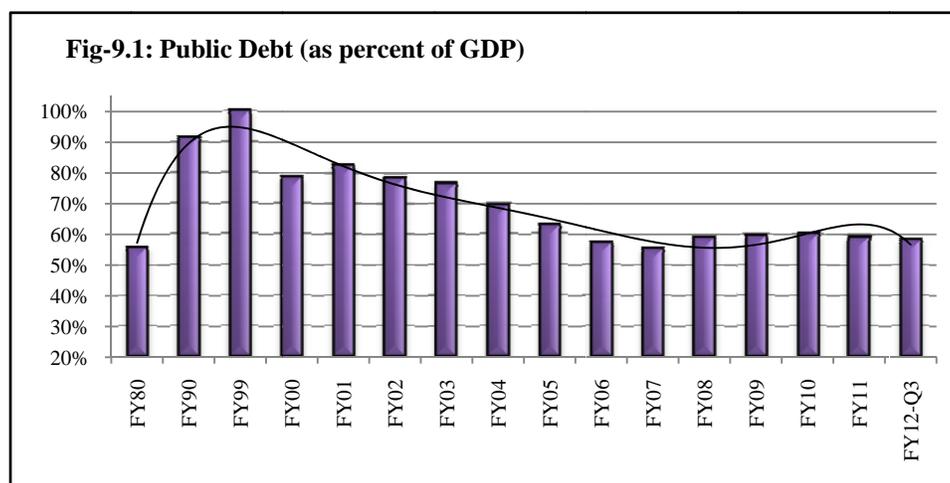
# Public Debt

## 9.1 Introduction

Developing countries hinge in a delicate balance; they need to borrow in order to facilitate their development process - on the other hand the borrowing should be allocated efficiently in view of their repayment ability. Debt may well act as a catalyst in the course of growth of an economy, but only if it is undertaken to facilitate a very well thought out road map devised with due diligence. Such measures can also lead to strengthening a country's capacity of repayment. Unsustainable levels of debt can plague economic growth by lowering the actual developmental expenditure due to heavy debt servicing requirement. This intricate scenario calls for a comprehensive, dynamic and rule based policy which ensures the right choices among several options, addresses financial constraints and ensures intergenerational welfare impact.

Pakistan's debt dynamics have undergone substantial changes since fiscal year 2007. A

myriad of domestic issues and the international recession and credit crises have impacted the country's debt position. Higher interest payments, large subsidies specially food and energy, growing security spending needs, narrow tax base and rising international commodity prices have resulted in large twin account (i.e. fiscal and current account) deficits. The financing of the fiscal deficit is a growing challenge in the wake of the shrinking net foreign assets of the banking system in Pakistan owing to the current account deficit; the resultant liquidity crunch is exerting pressure on domestic interest rates. Lower FDI and other non-debt creating flows due to energy shortages and security concerns have contributed towards negative balance of payment and drawdown on official foreign currency reserves of the country. Total Liquid Foreign Exchange Reserves were \$16.49 billion by end-April 2012, compared to \$18.24 billion as of end June 2011.



## 9.2 Public Debt

Total public debt is a measure of government indebtedness. It includes all government and government guaranteed obligations denominated in rupee as well as foreign currency. It is an important means of bridging government financing gaps. However, excessive reliance on public debt and inappropriate public debt management raise macroeconomic risks, impede economic growth, and hinder economic development. Domestic and external debt should be treated separately. Domestic debt is a charge on the budget and must be serviced through government revenues and/or additional borrowings whereas external debt (both public and private) in addition to government

revenues is also a charge on the balance of payment and must be serviced from foreign exchange earnings, reserve drawdown, and additional borrowings.

As at end of March 2012, public debt stood at Rs. 12,024 billion registering an increase of Rs. 1,315 billion or 12.3 percent as compared to fiscal year 2011. The increased amount includes Rs. 391 billion consolidated by the government into public debt against outstanding previous years subsidies related to the food and energy sectors. Public debt as a percent of GDP stood at 58.2 percent by end-March 2012 compared to 55.5 percent of GDP during the same period last year.

**Table-9.1 Public Debt**

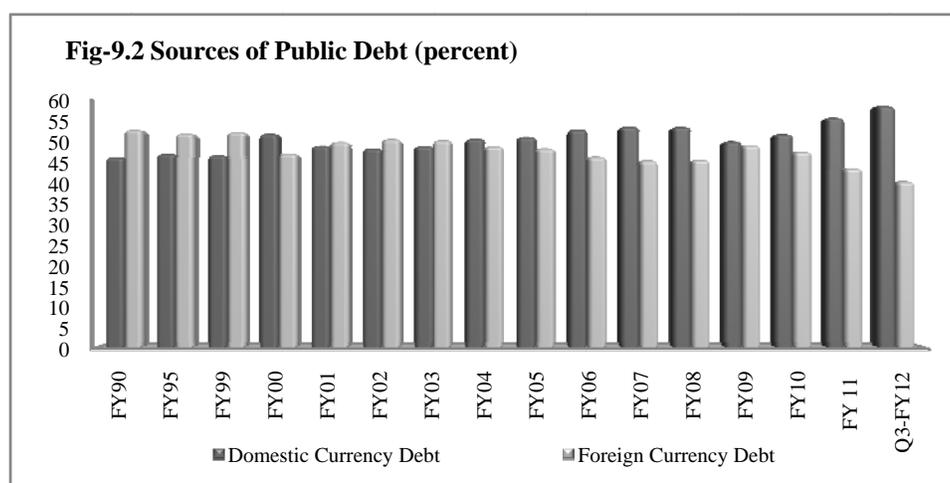
	1990	1995	2000	2005	2008	2009	2010	2011	2012*
	(In billion Rs.)								
Domestic Currency Debt	374	790	1,576	2,178	3,275	3,859	4,654	6,015	7,206
Foreign Currency Debt	428	873	1,442	1,913	2,780	3,736	4,284	4,694	4,818
Total Public Debt	801	1,662	3,018	4,091	6,055	7,595	8,938	10,709	12,024
	(In percent of GDP)								
Rupee Debt	42.8	42.3	41.2	33.5	32.0	30.3	31.4	33.4	34.9
Foreign Currency Debt	48.9	46.8	37.7	29.4	27.1	29.4	28.9	26.0	23.3
Total Public Debt	91.7	89.1	78.9	62.9	59.1	59.7	60.4	59.4	58.2
	(In percent of Revenue)								
Rupee Debt	235	245	308	242	218	208	224	266	251
Foreign Currency Debt	269	270	281	213	185	202	206	208	168
Total Public Debt	505	515	589	455	404	410	430	474	419
	(In percent of Total Debt)								
Rupee Debt	46.6	47.5	52.2	53.2	54.1	50.8	52.1	56.2	59.9
Foreign Currency Debt	53.4	52.5	47.8	46.8	45.9	49.2	47.9	43.8	40.1
<b>Memo:</b>									
Foreign Currency Debt (\$ Billion)	19.5	28.1	27.5	32.1	40.7	45.9	50.1	54.6	53.1
Exchange Rate (Rs./U.S.\$, E.O.P)	21.9	31.1	52.5	59.7	68.3	81.4	85.5	86.0	90.7
GDP (in Rs. Billion)	874	1,866	3,826	6,500	10,243	12,724	14,804	18,033	20,654
Total Revenue (in Rs. Billion)	159	323	513	900	1,499	1,851	2,078	2,261	2,871

Source: State Bank of Pakistan, Budget Wing, Economic Adviser's Wing & Debt Policy Coordination Office

\* End-March

Historically, public debt stock accounted for almost the same burden from domestic and external sources. However, government has increasingly focused on the domestic part over the last few years owing to non-availability of

sufficient external financing i.e. domestic borrowings inched up in share from 46.6 percent in fiscal year 1990 to 59.9 percent at end March, 2012.



The public debt may be understated without reporting contingent liabilities. Contingent liabilities are not added to the overall debt of the country. However, contingent liabilities are possible obligations that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the government. In the case of Pakistan, these include, for instance, explicit and implicit guarantees issued to Public Sector Enterprises (PSEs) and unfunded losses of state owned entities. The Government of Pakistan issued new guarantees aggregating Rs. 146.6 billion or 0.71 percent of GDP. Total outstanding stock of government guarantees as of March 2012 stood at Rs. 487 billion.

Outstanding Guarantees extended to PSEs	487
-Domestic Currency	256
-Foreign Currency	231
<b>Memo:</b>	
Foreign Currency (US\$ Million)	2,544

Source: Debt Policy Coordination Office

### 9.2.1 Dynamics of Public Debt Burden

Borrowing domestically or externally is a normal, indeed, necessary part of economic activity. The economic rationale for debt creation is that borrowers can earn a higher economic return than the cost of invested funds and that these economic returns can then be translated into financial returns. Debt problems for governments arise if debt-servicing capacity does not keep pace with growth of debt. This may also be expressed as debt exceeding sustainable levels.

The level of debt depends on the debt servicing capacity of the economy i.e. export earnings and revenue generation. The 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. It is common practice to measure the public debt burden as a percentage of GDP; however, it makes more sense to measure debt burden in terms of flow ratios because earning potential reflects more accurately on repayment capacity as GDP changes do not fully translate into revenues, particularly in case of Pakistan where the taxation systems are inelastic and the taxation machinery is weak.

**Table-9.3 Dynamics of Public Debt Burden**

	2007	2008	2009	2010	2011	2012*
Public Debt to GDP	60.1	59.1	59.7	60.4	59.4	58.2
Real Growth of Public Debt	2.3	8.3	5.2	4.3	1.1	2.4
Real Growth of Revenues	11.9	-0.6	2.9	0.3	-8.4	1.5**
Real Growth of Public Debt Burden	-9.7	8.9	2.3	4.0	9.5	0.9
Real Growth of GDP	6.8	3.7	1.7	3.8	2.4	3.7

Source: Budget Wing, SBP and Debt Policy Coordination Office

\*End March, 2012

\*\*Growth as compared to same period in 2011

If the primary balance (fiscal deficit before interest payments) is zero and the real growth in revenue is higher than the real growth in debt, the debt burden will ease. Pakistan saw a primary surplus in fiscal year 2004, however, since then it is running a primary deficit. In fiscal year 2009 the government was able to bring the deficit down to 0.1 percent of GDP from 2.5 percent in fiscal year 2008 as a result of fiscal consolidation and rationalization of expenditure. However since fiscal year 2010, owing to increased security expenditure, sustained food and energy subsidies and the great floods of 2010, the fiscal adjustment path was altered and the primary deficit reached 2.5 percent of GDP at the end of June 2011.

A similar pattern was witnessed in terms of real growth of revenues; from a high of 11.9 percent in fiscal year 2007 it declined to -8.4 percent in fiscal year 2011. On the other hand a gradual decline in

real growth of debt has been witnessed since fiscal year 2008. However, the real growth of debt has been greater than the real growth of revenues; and, this complemented by the primary deficit resulted in increase of the debt burden. The public debt stood at 4.7 times government revenues at the end of fiscal year 2011. Ideally the debt to revenue ratio should be 3.5 or lower.

### 9.2.2 Servicing of Public Debt

Increases in the outstanding stock of total public debt have implications for the economy in the shape of a greater amount of resource allocation towards debt servicing in the future. In order to meet debt servicing obligations, an extra burden is placed on limited government resources and might have costs in the shape of foregone public investment or expenditure in other sectors of the economy.

**Table-9.4 Public Debt Servicing**

	2010-2011				2011-2012			
	Budgeted	Actual	Percent of Govt. Revenue	Percent of Current Expenditure	Budgeted	Actual*	Percent of Govt. Revenue	Percent of Current Expenditure
	(In billion Rs.)		%	%	(In billion Rs.)		%	%
Servicing of External Debt	76.8	68.4	3.0	2.4	76.3	45.9	2.6	2.1
Repayment of External Loans	174.4	154.2	6.8	5.3	243.2	94.5	5.4	4.4
Servicing of Domestic Debt	621.8	629.7	27.9	21.7	714.7	578.6	33.3	26.9
Servicing of Public Debt	872.9	852.2	37.7	29.4	1,034.2	719.0	41.3	33.4

Source: Debt Policy Coordination Office

\* July-March, 2012

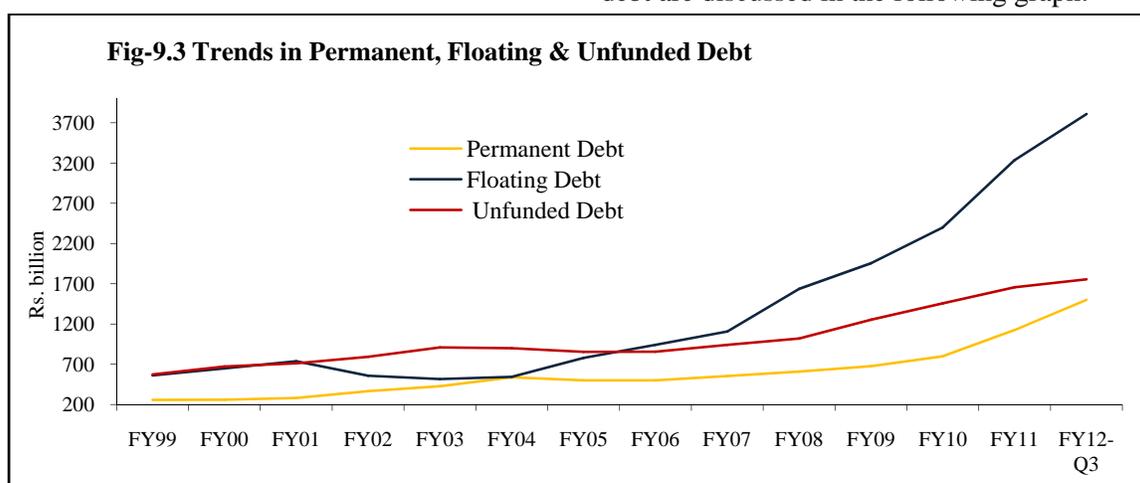
During the year 2010-11, servicing of public debt amounted to Rs. 852.2 billion as opposed to a budgeted amount of Rs. 872.9 billion (Table 9.4). The saving of Rs. 20.7 billion has mostly been due to stable dollar rupee parity; which reduced the amount used for interest and principal repayments of foreign loans in Rupee terms. Repayment of foreign loans stood at Rs. 154.2 billion as opposed to a target of Rs. 174.4 billion, while interest payments on foreign loans, which were budgeted at Rs. 76.8 billion, reached Rs 68.4 billion by end-June 2011. An amount of Rs. 629.7 billion was spent on account of servicing of domestic debt against the budgeted estimate of Rs. 621.8 billion. The increase in domestic debt servicing is partly the result of a tight monetary stance taken in order to arrest the monetary overhang caused by previous policies. As at the end of March 2012, servicing of the public debt stood at Rs. 719 billion against the budget amount of Rs. 1,034.2 billion.

### 9.3 Domestic Debt

Pakistan's domestic debt comprises permanent debt (medium and long-term), floating debt (short-term) and unfunded debt (made up of the various instruments available under the National Savings Scheme) having shares of 21.6 percent, 54.5 percent and 23.9 percent respectively in total domestic debt. Banks' preference of risk-free sovereign credit in view of mushrooming non-performing loans augured well for the government

securities market and overwhelming participation was witnessed in the auctions of T-Bills, PIBs and Government Ijara Sukuk.

The composition of major components shaping the domestic debt portfolio has undergone a transformation from a high dominance of unfunded debt to an increasing dependence on floating debt to an increasing dependence on floating component of the domestic debt. The unfunded category comprising about 44.6 percent of the aggregate domestic debt stock in fiscal year 2002 has declined to 23.9 percent by end March, 2012. Contrary to this, the share of floating debt to total domestic debt has reached 54.5 percent by end-March 2012 as compared with 31.4 percent in fiscal year 2002 indicating an over reliance on shorter duration instruments i.e. 54.5 percent of the total domestic debt has the duration of 0.31 years at end March 2012 which is fairly low owing to market appetite for shorter duration reflecting inflationary expectations and higher interest rates in the second half of the fiscal year 2012. Undue reliance on short-term sources of financing raises the rollover or refinancing risk for the government. Failure to issue new debt in order to mature a large amount of outstanding short term debt may trigger a liquidity or debt rollover crisis. The increase in frequency of such operations (due to their short term nature) coupled with any adverse rise in interest rates may leave the government vulnerable to the high cost of debt. The trends in domestic debt are discussed in the following graph:



### 9.3.1 Outstanding Domestic Debt

The total domestic debt was positioned at Rs. 7,206.9 billion at end-March 2012, representing an increase of Rs. 1,190.5 billion in the first nine months of the current fiscal year. This increase stems from net issuance of market debt namely Treasury bills (Rs. 576.4 billion) and PIBs (Rs.

307.5 billion). In relation to GDP the domestic debt stood at 34.9 percent which is higher than end-June 2011 level at 33.4 percent. The domestic debt grew by 19.8 percent in first nine months of current fiscal year. The focus on deficit financing through internal sources owing to lower external receipts has been the major cause.

**Table-9.5 Trends in Domestic Debt**

	2002	2003	2004	2005	2008	2009	2010	2011	2012*
<b>(In billions Rs.)</b>									
Permanent Debt	424.8	468.8	570.0	526.2	616.8	685.9	797.7	1125.3	1554.6
Floating Debt	557.8	516.3	542.9	778.2	1637.4	1903.5	2398.7	3235.4	3926.9
Unfunded Debt	792.1	909.5	899.2	873.2	1020.4	1269.2	1457.5	1655.8	1725.4
<b>Total</b>	<b>1774.7</b>	<b>1894.5</b>	<b>2012.2</b>	<b>2177.6</b>	<b>3274.5</b>	<b>3858.7</b>	<b>4653.9</b>	<b>6016.4</b>	<b>7206.9</b>
<b>(In percent of GDP)</b>									
Permanent Debt	9.7	9.7	10.1	8.1	6.0	5.4	5.4	6.2	7.5
Floating Debt	12.7	10.7	9.6	12.0	16.0	15.0	16.2	17.9	19.0
Unfunded Debt	18.0	18.9	15.9	13.4	10.0	10.0	9.8	9.2	8.4
<b>Total</b>	<b>40.3</b>	<b>39.3</b>	<b>35.7</b>	<b>33.5</b>	<b>32.0</b>	<b>30.3</b>	<b>31.4</b>	<b>33.4</b>	<b>34.9</b>
<b>(In percent of Total Debt)</b>									
Permanent Debt	23.9	24.7	28.3	24.2	18.8	17.8	17.1	18.7	21.6
Floating Debt	31.4	27.3	27.0	35.7	50.0	49.3	51.5	53.8	54.5
Unfunded Debt	44.6	48.0	44.7	40.1	31.2	32.9	31.3	27.5	23.9
Memo:									
GDP (in billion of Rs.)	<b>4402</b>	<b>4823</b>	<b>5641</b>	<b>6500</b>	<b>10243</b>	<b>12724</b>	<b>14804</b>	<b>18033</b>	<b>20654</b>

Source: Budget Wing, Ministry of Finance

\* End-March

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

#### I. Permanent Debt

Permanent Debt mainly consists of medium to long term instruments including Pakistan Investment Bonds (PIBs), Government Ijara Sukuk bond, Prize Bond etc. PIBs are non-callable instruments, with semi-annual coupon payment. PIBs are issued in tenors of 3, 5, 7, 10, 15, 20 and 30 -years maturity. The 3, 5 and 10 years tenor are most liquid while longer maturities are thinly traded. Government Ijarah Sukuks 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 recent years.

The total share of permanent debt in the government's domestic debt stood at Rs. 1,554.6

billion as at end-March 2012 compared to Rs. 1,125.3 billion in 2011 registering an increase of Rs. 429.3 billion. The share of permanent debt in total domestic debt inched up from 18.7 percent in 2011 to 21.6 percent at end March 2012. Sizeable receipts from Government Ijara Sukuk bond and Pakistan Investment Bonds contributed to this expansion. Government mopped up net of retirement Rs. 80.5 billion through successful auctions of Ijara Sukuk bond and Rs. 307.5 billion through Pakistan Investment Bonds during July-March, 2012.

#### II. Floating Debt

Floating debt consists of short term domestic borrowing instruments such as Treasury Bills and State Bank borrowing through the purchase of Market Related Treasury Bills (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 T-Bills portfolio is 9 percent, 20 percent and 71 percent respectively as at end-Mar 2012. 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 State Bank of Pakistan (SBP) twice a month. Treasury Bills having maturity of 6 months are also created by SBP on average rate of interest of previous auction on need basis.

Floating Debt share in overall public debt and domestic debt stood at 32.7 percent and 54.5 percent respectively as at end-March 2012. During July-March, 2012, the floating debt grew by Rs. 691.5 billion or 21.4 percent. Around 58 percent of the total increase in government domestic debt stock was contributed by floating debt instruments during July-March, 2012.

Much of the proceeds accrued through Market Treasury Bills (MTBs) as Rs. 576.4 billion was added to the stock of June 30, 2011. On the other hand, government borrowed Rs. 167.3 billion by issuing Market Related Treasury Bills (MRTBs) to SBP.

### III. Unfunded Debt

Unfunded Debt made up of the various instruments available under the National Savings Scheme (NSS). A number of different schemes are offered under NSS in the investment horizon of 3 years to 10 years. The total share of unfunded debt in the government's domestic debt stood at Rs. 1,725.4 billion or 23.9 percent on end-March 2012. The stock of unfunded debt increased by Rs. 69.6 billion or 4.2 percent compared with fiscal year 2011. Net receipts in Regular Income Scheme were up by 17.2 percent in July-March, 2012, as the stock increased from Rs. 182.6 billion in June, 2011 to Rs. 214 billion at end-March 2011. Special NSS Schemes including Bahbood Savings Certificates and Pensioner's Benefits Accounts registered a combined nominal increase of Rs. 49.3 billion compared to Rs. 59 billion during July-March 2011. Rates of return on NSS instruments were revised downward in October 2011 and January 2012 in response to the decrease in the benchmark discount rate.

### 9.3.2 Duration of Domestic Debt

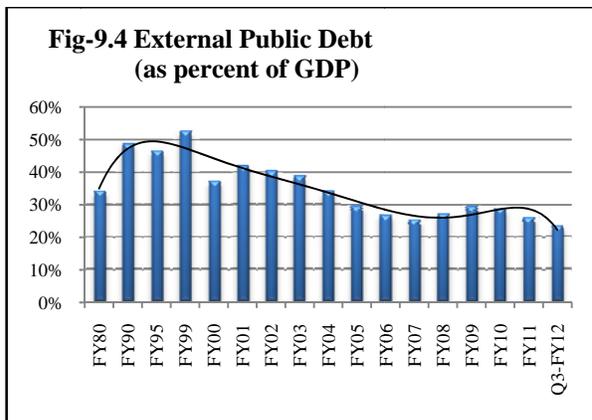
As at end March 2012, duration of domestic debt stood at 2 years excluding SBP Market Related Treasury Bills (MRTBs). Duration including MRTBs stood at 1.61 years. This estimate of duration may be a little inconsistent owing to the non-availability of actual maturity profile of NSS and manual operations of Central Directorate of National Savings (CDNS). A behavioral analysis was undertaken to estimate the maturity of NSS instruments. Generally, across the globe, governments desire to incur the lowest annual debt servicing cost while ignoring portfolio risks. It is important for the government to take necessary measures to lengthen the maturity profile of domestic debt. Though this may result in additional debt servicing cost in the short term, it would certainly help in reducing the associated liquidity and refinancing risks in the domestic debt portfolio.

### 9.4 External Debt and Liabilities

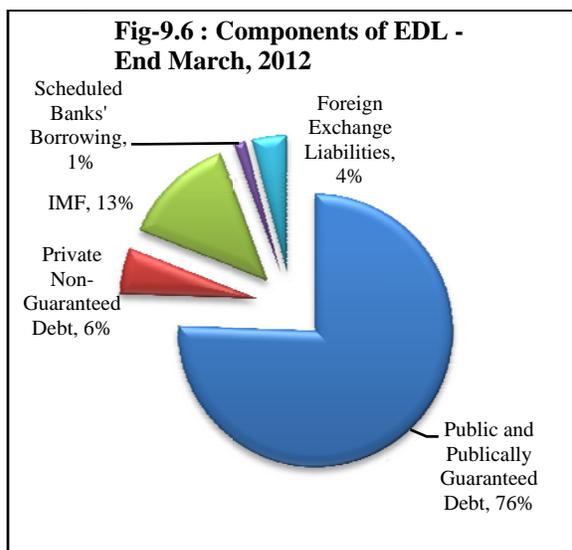
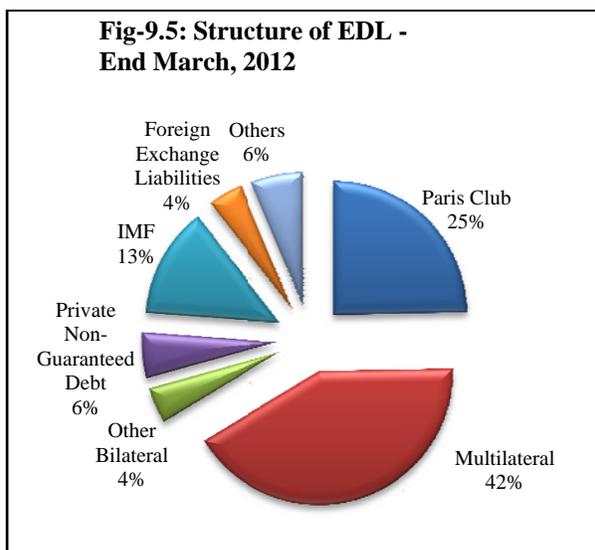
Pakistan's external debt and liabilities (EDL) include all foreign currency debt contracted by the public and private sector, as well as foreign exchange liabilities of the State Bank. EDL has been dominated by Public and Publically Guaranteed Debt having share of 76 percent owing to current account deficit which is financed through loans from multilateral and bilateral donors. Debt obligations of the private sector are fairly limited and have been a minor proportion of EDL (6 percent). Borrowing from IMF contributed 13 percent in EDL Stock which was intended for Balance of Payment (BoP) support and is reflected in foreign currency reserves of the country. The explicit concessional terms of loans (low cost and long tenors) contracted with international financial institutions or donor countries have concealed the inherent capital loss associated with foreign currency debt to some extent. However, the analysis of currency movement of last 20 years reveals that cost of foreign currency borrowing adjusted for exchange rates movement has been 1.5 percent lower than the average domestic interest rates.

Pakistan External Debt and Liabilities (EDL) stock was recorded at \$60.3 billion as of March 2012. During July-March 2012, \$179 million was added

to the EDL stock. As a percentage of GDP in dollar terms, the EDL was down by 200 basis points in July-March, 2012 compared to fiscal year 2011 and approximated to 26.5 percent. Since fiscal year 2010, EDL has increased in absolute terms, but decreased in relation to GDP. However, focusing on the absolute increase in the outstanding stock of EDL can be misleading for two main reasons. Firstly, the outstanding stock of debt must be analyzed in relation to the size of the economy and its repayment capacity (in terms of GDP and other macroeconomic indicators). Secondly, the absolute change in EDL neglects classification between an actual increase in stock and increases caused by fluctuations in international exchange rates.



The composition and structure of Pakistan External Debt as on March 31, 2012 is depicted through following graphs:



The following section highlights the developments in the various components of EDL during the first nine months of the outgoing fiscal year.

**I. Public and Publicly Guaranteed Debt (PPG)**

At the end-March 2012, Public and publicly guaranteed debt accounted for the largest share of 76 percent in EDL. Public and publicly guaranteed debt is dominated by the loans from bilateral and multilateral donors. Multilateral debt, which is the largest component of Pakistan’s EDL witnessed a decrease of \$730 million during the period under review. The project-based nature of loans contracted under this category hinges on Pakistan’s ability to instill project efficiency. Debt from

bilateral sources includes loan contracted with Paris Club countries and other countries outside the Paris Club. It is second largest component of Pakistan’s EDL. It witnessed an increase of \$137 million during the period under review.

**II. IMF Debt**

At the end-March 2012, debt owed to IMF aggregated up to \$8.1 billion. Payment amounting to \$793 million has been made in the 3<sup>rd</sup> and 4<sup>th</sup> quarter of fiscal year 2012.

### III. Private Non-Guaranteed Debt

The share of private non-guaranteed debt in total EDL stood at 6 percent at end-March 2012. The

stock of private non-guaranteed debt decreased by \$147 million; from \$3.48 billion in June 2011 to \$3.34 billion by end-March 2012.

**Table-9.6: Pakistan External Debt and Liabilities**

	2004	2005	2006	2007	2008	2009	2010	2011	2012-Q3
1. Public and Publically Guaranteed debt	29.9	31.1	32.9	35.3	40.6	42.6	43.1	46.7	46.4
A. Medium and long term(>1 year)	29.9	30.8	32.7	35.3	39.5	41.1	42.3	46.1	45.8
B. Short Term (<1 year)	0.0	0.3	0.2	0.0	1.1	1.5	0.8	0.6	0.6
2. Private Non-guaranteed Debt (>1 yr)	1.7	1.3	1.6	2.3	2.9	3.3	3.4	3.5	3.3
3. IMF	1.8	1.6	1.5	1.4	1.3	5.1	8.1	8.9	8.1
<b>Total External Debt (1 through 3)</b>	<b>33.4</b>	<b>34.0</b>	<b>36.0</b>	<b>39.0</b>	<b>44.9</b>	<b>51.1</b>	<b>54.6</b>	<b>59.1</b>	<b>57.8</b>
4. Foreign Exchange Liabilities	2.0	1.8	1.6	1.5	1.3	1.3	1.3	1.0	2.5
<b>Total External Debt &amp; Liabilities (1 to 4)</b>	<b>35.3</b>	<b>35.8</b>	<b>37.6</b>	<b>40.5</b>	<b>46.2</b>	<b>52.3</b>	<b>55.9</b>	<b>60.1</b>	<b>60.3</b>
(of which) Public Debt	31.3	32.1	33.9	36.5	40.9	46.3	49.5	54.6	53.1
	<b>(In percent of GDP)</b>								
<b>Total External Debt (1 through 3)</b>	<b>34.1</b>	<b>31.1</b>	<b>28.2</b>	<b>27.3</b>	<b>27.4</b>	<b>31.5</b>	<b>30.9</b>	<b>28.1</b>	<b>25.4</b>
1. Public and Publically Guaranteed debt	30.6	28.4	25.8	24.7	24.8	26.3	24.5	22.1	20.1
A. Medium and long term(>1 year)	30.5	28.1	25.7	24.7	24.1	25.4	24.0	21.8	19.8
B. Short Term (<1 year)	0.0	0.2	0.1	0.0	0.7	0.9	0.4	0.3	0.2
2. Private Non-guaranteed Debt (>1 yr)	0.02	0.01	0.01	0.02	0.02	0.02	0.02	0.02	0.01
3. IMF	1.8	1.5	1.2	1.0	0.8	3.2	4.6	4.2	3.5
4. Foreign Exchange Liabilities	2.0	1.6	1.2	1.0	0.8	0.8	0.6	0.5	1.1
<b>Total External Debt &amp; Liabilities (1 to 4)</b>	<b>36.1</b>	<b>32.7</b>	<b>29.5</b>	<b>28.3</b>	<b>28.2</b>	<b>32.3</b>	<b>31.5</b>	<b>28.5</b>	<b>26.5</b>
	<b>Memo:</b>								
GDP (in billion of Rs.)	5641	6500	7623	8673	10243	12724	14804	18033	20,654
Exchange Rate (Rs./U.S. dollar, Period Avg.)	57.6	59.4	59.9	60.6	62.5	78.5	83.8	85.6	90.8
Exchange Rate (Rs./US\$, EOP)	57.9	59.7	60.2	60.6	68.3	81.4	85.5	86.0	90.7
GDP (in billions of U.S. dollars)	98.0	109.5	127.4	143.0	163.8	162.1	176.5	210.8	227.8

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

#### 9.4.1 Composition of Foreign Economic Assistance

The total amount of foreign economic assistance received in the first nine months of 2011-12 stood at \$1,660 million. The composition of this assistance is as follows:

##### I. Commitments

The commitments of foreign economic assistance were \$4,580 million during 2010-11, while during July-March 2012, total commitments amounted to \$1,967 million. About 76 percent of total commitments during July-March 2012 were in the shape of project aid while the remaining comprised non-project aid. Out of total non-project aid, share of BOP/budgetary support was 78 percent.

##### II. Disbursements

During July-March 2010-11, disbursements of \$1,660 million were for different purposes like Project Aid (\$1,113 million), Programme-loans/Budgetary Support (\$99 million) and relief (\$448 million). Project aid accounted for 67 percent of the total disbursements.

#### 9.4.2 External Debt Servicing

During fiscal year 2011, external debt servicing summed to US\$ 4,799 million that is 14.3 percent lower than the previous year. A segregation of this aggregate number shows a payment of US\$ 2,348 million in respect of maturing EDL stock where interest payments were US\$ 963 million. US\$ 1,488 million was rolled-over.

**Table-9.7 Pakistan's Public External Debt Servicing**

Years	Actual Amount Paid	Amount Rolled Over	Total
(in million of US\$)			
2006-07	2,326	1,300	3,626
2007-08	2,558	1,200	3,758
2008-09	3,986	1,600	5,586
2009-10	3,880	1,723	5,603
2010-11	3,311	1,488	4,799
2011-12*	2,325	1,243	3,567

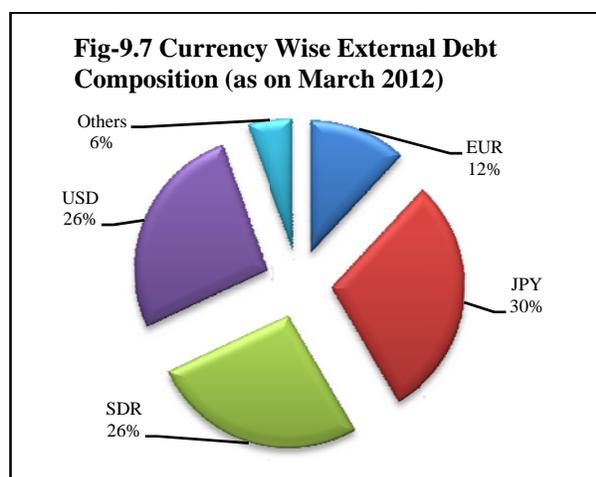
Source: State Bank of Pakistan

\*July-March 2012

Servicing of external debt and liabilities during the first nine months of fiscal year 2012 amounted to \$3,567million. Out of the total, \$1,692 million was paid against principal while interest payments were \$633 million. US\$ 1,243 million was rolled-over. When compared to a stock of approximately US\$ 60.1 billion at the end of fiscal year 2011, the relatively smaller amount of interest payments made during the first three quarters of fiscal year 2012 signal towards the concessional nature of most of the foreign loans contracted by Pakistan. Notwithstanding, with the IMF-SBA repayments over next two years, the servicing will increase.

### 9.4.3 Impact of Exchange Rate Fluctuations

Pakistan External Debt is contracted in multiple currencies, however, outstanding balance of these loans is converted into US\$ for reporting purposes. As at end March 2012, 94 percent of total External Debt is contracted in 4 major currencies as depicted in the following graph:



Apart from net fresh disbursements, exchange rate fluctuations in US\$ against these currencies can also result in change in External Debt Stock i.e. appreciation of US\$ against other currencies will result in decrease in External Debt Stock or vice versa. The total translational gain on account of cross-currency movement against US\$ amounted to \$1,129 million which can be attributed to appreciation of US \$ against hard currencies like Euro, Japanese yen (JPY), SDR by 7.9 percent, 2.0 percent and 3.2 percent respectively.

### 9.4.4 External Debt Sustainability

Analysis of the current account deficit provides important clues as to the future direction of the external debt path. Higher current account in the absence of offsetting increases to current transfers and non-debt creating capital flows can add to the stock of external debt. Similarly, any increase in interest rates and exchange rate depreciation will increase the debt servicing cost of the country and will affect the sovereign debt portfolio. External Debt and Liabilities expressed as a percentage of GDP might be a common means of measuring the indebtedness of an economy, but repayment capacity is more accurately captured through expressing the levels of debt as a percentage of the economy's foreign exchange earnings and reserves. In order to ensure sustainability, government can assign threshold levels to the debt stock as a ratio of economic indicators and comparison with international thresholds provides insight into a country's debt position.

During 2010-11, the non interest current account showed a surplus of 0.8 percent of nominal GDP on account of improved trade balance (higher cotton prices) and swelling inflows in remittances. This indicator showed a downward trend in fiscal year 2012 by recording a deficit of 1.2 percent of nominal GDP compared to a surplus of 0.66 percent of nominal GDP during the same period last year owing to high value of oil imports.

EDL as a percentage of Foreign Exchange Earnings (FEE) gives a measure of a country's debt repayment capacity by comparing levels of external debt to the sum of exports, services receipts, and private unrequited transfers. A generally acceptable threshold requires a country's

EDL to remain below 2 times of FEE. Improvement was observed in the EDL-to-FEE ratio, which was 1.3 in fiscal year 2011 compared to 1.5 in fiscal year 2010 at the back of strong workers' remittances and a positive turn-around in export earnings. The improvement of this ratio

suggests that Pakistan's stock of external debt and liabilities is growing at a slower rate than its foreign exchange earnings. During July-March 2012, the ratio stood at 1.7 against 1.3 during the same period last year.

**Table-9.8 External Debt Sustainability**

	(in percent)					
External Debt Indicators	2007	2008	2009	2010	2011	2012*
Non Interest Current Account/GDP	-3.8	-7.1	-4.5	-1.4	0.8	-1.2
EDL/FEE (times)	1.2	1.2	1.5	1.5	1.3	1.7
EDL/FER	2.5	4.0	4.2	3.3	3.3	3.6
EDL/GDP	28.3	28.2	32.3	31.5	28.5	26.5
EDL Servicing/FEE	12.6	11.7	18.0	16.5	11.4	10.0
STD/EDL	0.1	2.4	2.8	1.4	1.0	0.9

Source: EAD, SBP & Debt Policy Coordination Office

\* July - March 2012

FEE: Foreign Exchange Earnings; STD: Short-term Debt; EDL: External Debt and Liabilities; FER: Foreign Exchange Reserves

A decrease in EDL in relations to Foreign Exchange Reserves reflects the consolidation of foreign exchange reserves and a general improvement of the country's repayment capacity or vice versa. On the onset of SBA in 2008, the ratio declined to 3.3 in 2009-10 as EDL growth slowed and foreign exchange reserves shored up. The ratio did not improve in fiscal year 2011 mainly because of stagnation in reserves and lower growth in EDL stock. By end-March 2012, the ratio deteriorated slightly to 3.6 compared to 3.3 by end June 2012 mainly because of drawdown on reserves owing to lower Foreign Direct Investments and other non-debt creating flows.

A major improvement has been witnessed in EDL-to-GDP ratio as it improves from 31.5 percent in fiscal year 2010 to 28.5 percent in fiscal year 2011. By end-March 2012, EDL as a percent of GDP stood at 26.5 percent, thereby showing a decrease of 2.0 percentage points in first nine month of current fiscal year. This improvement is mainly due to faster growth in nominal GDP in relation to slower growth in external debt owing to lower financing from external sources.

External Debt Servicing as a percentage of Foreign Exchange Earnings has been declining since fiscal year 2010 and stood at 11.4 percent during fiscal year 2011 owing to strong workers' remittances

and a positive turn-around in export earnings. A generally acceptable threshold requires a country's EDL servicing to remain below 20 percent of FEE. The current levels of servicing are bound to increase as IMF-SBA repayments initiate in fiscal year 2012, that require serious efforts to enhance the export earnings.

Pakistan's level of Short Term Debt (STD) as a percentage of EDL has historically been lower than most other developing countries. It was just 0.1 percent in 2006-07. Fiscal year 2009-10 has seen an improvement in STD as a percentage of EDL to 1.4 percent which decreased to 1 percent in fiscal year 2010-11. During July-March 2012, the ratio stood at 0.9 percent.

### 9.5 Pakistan's Link with International Capital Market

The first ten months of the current financial year witnessed a period of substantial volatility in the global markets, largely as a consequence of fears relating to the Eurozone's peripheral economies. The Emerging Market Bond Index ("EMBI"), a benchmark index for measuring the total return performance of international government bonds issued by emerging market countries, has depicted an increase over June 2011 levels, implying an increase in costs for tapping international debt

capital markets. However, since January 2012 the EMBI has shown a slight decrease indicating that the debt capital markets might be improving, however, uncertainty with respect to the Euro area remains and continues to affect the credit risk appetite of global investors. In the backdrop of prevailing uncertainty in the global markets, the situation for Pakistan is further affected by concerns over higher commodity prices, consequent energy shortages, flood etc. Given the general risk awareness and volatility prevailing in the international markets, Pakistan has not issued any new debt instrument since 2008. The government plans to tap the global markets once the conditions become more favourable.

### 9.6 Recent Performance of 2017 And 2036 Eurobonds

Pakistan has witnessed an increase in spreads on its 2016, 2017 and 2036 Eurobonds in the first ten

months of 2010-11. External factors mainly contributed to the spread performance of Pakistan's bonds over the past year, with an overall tightening witnessed since the beginning of 2012. However, levels remain high when compared to levels seen at the beginning of 2010.

The Eurobond maturing in 2016 is currently (as of May 9<sup>th</sup>, 2012) trading at a spread of UST+1098 basis points. The 2017 maturity bond, that had an issue spread of UST+200 basis points, is trading currently at a spread of UST+1157 basis points. The 2036 bond, compared to the issue spread of UST+302 basis points and a spread of 681 basis points last year, is trading currently at a spread of UST+1002 basis points. The following table contains the latest position of bond issued by Pakistan along with their current yields.

**Table-9.9 Selected Secondary Market Benchmarks**

Issuer	Ratings (Moody's/S&P)	Coupon (%)	Maturity	Spread over UST (bps)	Yield (%)
Pakistan	B3/B-	7.125	Mar 2016	1098	11.714
Pakistan	B3/B-	6.875	Jun 2017	1157	12.312
Pakistan	B3/B-	7.875	Mar 2036	1002	13.024

Source: Bloomberg, as at May 9<sup>th</sup>, 2012

### 9.7 Conclusion

Pakistan's public debt position declined slightly in the current fiscal year. A host of internal and external factors contributed to the decline. Higher interest payments, large subsidies specially food

and energy, growing security spending needs, narrow tax base and rising international commodity prices have resulted in large twin account (i.e. fiscal and current account) deficits. Prudent government policy will be necessary to address the issue of public debt.

TABLE 9.1

**PUBLIC AND PUBLICLY GUARANTEED MEDIUM AND LONG TERM EXTERNAL DEBT  
DISBURSED AND OUTSTANDING AS ON 31-03-2012**

Country/Creditor	(\$ Million)
<b>I. BILATERAL</b>	
<b>a. Paris Club Countries</b>	<b>Amount</b>
AUSTRIA	60
BELGIUM	32
CANADA	535
FINLAND	6
FRANCE	2,143
GERMANY	1,790
ITALY	103
JAPAN	7,711
KOREA	473
NETHERLANDS	115
NORWAY	18
RUSSIA	115
SPAIN	78
SWEDEN	146
SWITZERLAND	119
UNITED KINGDOM	9
UNITED STATES	1,481
<b>Sub Total I.a. Paris Club Countries</b>	<b>14,935</b>
<b>b. Non Paris Club Countries</b>	
BAHRAIN	-
CHINA	2,672
KUWAIT	115
LIBYA	5
SAUDI ARABIA	457
UNITED ARAB EMIRATES	78
<b>Sub Total I.b. Non-Paris Club Countries</b>	<b>3,326</b>
<b>Total I. (a+b)</b>	<b>18,261</b>
<b>II. MULTILATERAL &amp; Others</b>	
ADB	11,877
IBRD	1,535
IDA	10,876
Other	868
EIB	48
IDB	550
IFAD	213
NORD. DEV. FUND	14
NORD. I. BANK	4
OPEC FUND	30
E.C.O T/Bank	10
<b>Total II: Multilateral &amp; Others</b>	<b>25,157</b>
<b>III. BONDS</b>	<b>1,500</b>
<b>IV. COMMERCIAL BANKS</b>	<b>-</b>
<b>Grand Total (I+II+III+IV)</b>	<b>44,918</b>

Source: Economic Affairs Division

TABLE 9.2

## COMMITMENTS AND DISBURSEMENTS OF LOANS AND GRANTS (BY TYPE)

(US \$ million)

Plan/ Fiscal Year	Project Aid		Non-Project Aid								*Total	
	Commitment	Disbursement	Non-Food		Food		BOP		Relief			
			Commitment	Disbursement	Commitment	Disbursement	Commitment	Disbursement	Commitment	Disbursement	Commitment	Disbursement
<b>VI. 5th Plan</b>												
1978-79	1,064	599	190	213	55	50	86	86	-	-	1,395	948
1979-80	1,002	808	121	161	55	21	419	419	61	61	1,658	1,470
1980-81	591	676	182	103	73	66	16	16	111	111	973	972
1981-82	887	536	320	174	110	89	10	10	293	293	1,620	1,102
1982-83	1,115	744	174	299	120	80	-	-	178	178	1,587	1,301
Sub-Total	4,659	3,363	987	950	413	306	531	531	643	643	7,233	5,793
<b>VII. 6th Plan</b>												
1983-84	1,580	695	166	149	88	177	-	-	155	155	1,989	1,176
1984-85	1,804	903	161	125	196	79	-	-	150	150	2,311	1,257
1985-86	1,810	1,055	186	93	163	245	-	-	135	135	2,294	1,528
1986-87	2,035	1,006	331	205	130	57	-	-	130	130	2,626	1,398
1987-88	1,903	1,223	390	219	230	218	-	-	164	164	2,687	1,824
Sub-Total	9,132	4,882	1,234	791	807	776	-	-	734	734	11,907	7,183
<b>VIII. 7th Plan</b>												
1988-89	1,979	1,262	663	537	392	542	146	146	132	132	3,312	2,619
1989-90	2,623	1,312	201	386	258	287	217	217	140	140	3,439	2,342
1990-91	1,935	1,408	346	451	134	136	50	50	111	111	2,576	2,156
1991-92	2,219	1,766	43	316	322	284	-	-	105	105	2,689	2,471
1992-93	1,204	1,895	182	232	454	309	-	-	57	57	1,897	2,493
Sub-Total	9,960	7,643	1,435	1,922	1,560	1,558	413	413	545	545	13,913	12,081
<b>IX. 8th Plan</b>												
1993-94	1,822	1,961	-	15	329	251	411	303	19	19	2,581	2,549
1994-95	2,714	2,079	3	23	279	258	-	211	29	29	3,025	2,600
1995-96	2,219	2,151	57	21	395	383	-	-	10	10	2,681	2,565
1996-97	1,351	1,821	1	1	405	409	-	-	2	2	1,759	2,233
1997-98	776	1,552	1	1	578	622	750	625	1	1	2,106	2,801
Sub-Total	8,882	9,564	62	61	1,986	1,923	1,161	1,139	61	61	12,152	12,748
1998-99	1,382	1,620	-	-	185	270	650	550	2	2	2,219	2,442
1999-00	523	1,263	0	0	567	100	284	385	6	2	1,380	1,750
2000-01	396	1,030	0	0	91	23	1,128	1,128	21	5	1,637	2,186
2001-02	973	741	0	0	40	114	2,589	1,880	0	21	3,603	2,756
2002-03	700	846	0	0	0	9	1,089	1,057	11	8	1,800	1,920
2003-04	1,214	622	0	0	0	0	1,263	755	2	3	2,479	1,380
2004-05	2,089	918	0	0	0	0	1,202	1,803	0	2	3,291	2,723
2005-06	3,250	2,084	0	0	22	10	1,225	1,262	1	1	4,498	3,357
2006-07	1,365	1,308	133	0	0	12	2,649	2,058	3	3	4,151	3,381
2007-08	2,440	1,565	0	80	0	0	1,309	2,013	2	2	3,751	3,660
2008-09	2,296	1,272	125	175	18	0	3,947	3,238	2	2	6,389	4,688
2009-10	3,729	1,213	100	100	0	0	2,846	2,305	68	49	6,744	3,668
2010-11	2,384	951	0	0	0	0	397	566	1,799	1,101	4,580	2,618
2011-12 (Jul-Mar)	1,504	1,113	0	0	0	0	361	99	101	448	1,967	1,660

Project Aid Includes Commitments and Disbursements for Earthquake Rehabilitation &amp; Construction

Source: Economic Affairs Division

BOP includes Commitment and Disbursement for IDB Short term and Tokyo Pledges

Relief includes Commitment and Disbursement for Afghan Refugees, IDPs and Flood Assistance

\*Exclusive of IMF Loans

TABLE 9.3

ANNUAL COMMITMENTS, DISBURSEMENTS, SERVICE PAYMENTS AND EXTERNAL DEBT OUTSTANDING (Medium and Long Term)

(\$ Million)

Fiscal Year	Debt outstanding (end of period)		Transaction during period					Debt Servicing as % of		
	*Disbursed	*Undisbursed	Commitment	Disburse- ment	**Service Payments			Export Receipts	Foreign Exchange Earning	GDP
					Principal	Interest	Total			
1970-71	3,425	..	873	612	101	81	182	43.3	..	1.7
1971-72	3,766	..	143	409	71	51	122	20.6	..	1.3
1972-73	4,022	..	543	355	107	86	193	23.6	18.1	3.0
1973-74	4,427	..	1,268	498	118	79	197	19.2	14.2	2.2
1974-75	4,796	1,854	1,115	976	144	104	248	20.2	16.3	2.2
1975-76	5,755	1,811	951	1,051	141	108	249	21.9	13.7	1.9
1976-77	6,341	1,914	1,111	960	175	136	311	27.3	15.3	2.1
1977-78	7,189	2,041	963	856	165	162	327	24.9	11.2	1.8
1978-79	7,792	2,514	1,395	948	234	203	437	25.6	12.0	2.2
1979-80	8,658	2,586	1,658	1,470	350	234	584	24.7	11.9	2.5
1980-81	8,765	2,579	973	972	360	243	603	20.4	10.6	2.1
1981-82	8,799	2,921	1,620	1,102	288	203	491	19.9	8.8	1.6
1982-83	9,312	3,087	1,587	1,301	390	244	634	23.5	9.6	2.2
1983-84	9,469	3,436	1,989	1,176	453	274	727	26.3	10.9	2.3
1984-85	9,732	4,321	2,311	1,257	513	275	788	31.6	12.9	2.5
1985-86	11,108	5,242	2,294	1,528	603	303	906	29.5	13.5	2.8
1986-87	12,023	6,113	2,626	1,399	723	378	1,101	29.9	15.6	3.3
1987-88	12,913	7,070	2,687	1,824	691	426	1,117	25.1	14.7	2.9
1988-89	14,190	7,372	3,312	2,619	685	440	1,125	24.1	14.4	2.8
1989-90	14,730	8,279	3,439	2,342	741	491	1,232	24.9	14.4	3.1
1990-91	15,471	9,232	2,576	2,156	782	534	1,316	21.5	13.7	2.9
1991-92	17,361	9,461	2,689	2,471	921	592	1,513	21.9	13.2	3.1
1992-93	19,044	9,178	1,897	2,493	999	649	1,648	24.2	15.3	3.2
1993-94	20,322	9,014	2,581	2,549	1,105	673	1,778	25.7	16.2	3.4
1994-95	22,117	9,806	3,025	2,600	1,323	752	2,075	25.1	16.5	3.4
1995-96	22,292	7,761	2,681	2,565	1,346	791	2,137	24.5	16.7	3.4
1996-97	22,509	8,583	1,759	2,233	1,510	741	2,251	27.2	17.6	3.6
1997-98	22,844	6,164	2,106	2,801	1,600	723	2,323	27.3	17.6	3.8
1998-99	25,423	5,076	2,219	2,442	955	399	1,354	19.7	13.6	2.6
1999-00	25,359	3,421	1,096	1,490	893	570	1,463	17.6	11.9	2.1
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	32,407	5,838	4,507	3,163	1,424	712	2,136	12.9	6.9	1.7
2006-07	35,182	6,277	4,059	3,356	1,283	819	2,102	12.2	6.5	1.5
2007-08	39,530	6,540	3,398	3,160	1,130	949	2,079	10.2	5.6	1.3
2008-09	41,413	7,451	5,792	4,032	2,566	873	3,439	18.0	9.8	2.1
2009-10	43,069	9,634	6,171	3,099	2,339	756	3,095	15.7	8.1	1.7
2010-11	45,850	9,797	4,580	2,548	1,925	760	2,685	8.6	5.7	1.3
2011-12 (Jul-Mar)	44,918	9,688	1,967	1,660	1,070	483	1,553	7.1	4.4	0.7

.. : Not available

\* : Excluding grants

\*\* : Excluding IMF

Source: Economic Affairs Division

TABLE 9.4

## DEBT SERVICE PAYMENTS OF FOREIGN MEDIUM AND LONG TERM LOANS (Paid in foreign exchange)

(US \$ million)

Fiscal Year	Kind	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12 (Jul-Mar)
<b>I. PARIS CLUB COUNTRIES</b>											
1	Australia	Principal	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
		Interest	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2	Austria	Principal	0.000	0.695	0.376	1.223	1.145	2.680	2.827	3.387	3.581
		Interest	2.072	3.207	4.212	3.637	3.634	4.483	3.798	3.569	3.466
3	Belgium	Principal	0.000	0.000	0.000	0.000	4.623	10.326	0.603	0.715	0.711
		Interest	3.102	1.413	1.767	1.859	2.003	2.266	1.956	1.998	1.702
4	Canada	Principal	0.000	0.000	0.302	0.841	1.289	1.662	1.652	1.814	2.075
		Interest	1.317	1.438	2.766	4.436	5.584	5.359	3.029	1.276	1.018
5	Denmark	Principal	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
		Interest	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
6	France	Principal	0.000	28.766	10.636	24.921	31.366	35.983	26.405	26.804	31.301
		Interest	47.516	61.557	82.615	81.489	87.430	99.483	86.125	87.354	88.688
7	Finland	Principal	0.000	0.000	0.024	0.055	0.084	0.108	0.095	0.119	0.136
		Interest	0.111	0.088	0.164	0.286	0.364	0.360	0.197	0.083	0.067
8	Germany	Principal	3.834	7.925	2.64	12.749	15.294	16.202	18.477	15.861	18.138
		Interest	18.903	17.575	20.981	29.826	32.225	36.354	31.206	18.639	18.619
9	Italy	Principal	2.136	0.316	0.541	0.642	21.415	24.039	22.174	20.098	22.712
		Interest	2.718	2.753	3.605	2.331	1.168	1.294	0.872	0.339	0.285
10	Japan	Principal	70.319	396.646	48.114	65.577	49.280	46.528	48.485	48.656	56.651
		Interest	36.224	129.721	149.982	86.805	91.573	103.564	113.895	118.509	129.489
11	Korea	Principal	0.000	44.834	45.272	96.485	55.725	56.254	34.253	9.678	11.068
		Interest	0.000	24.884	23.787	38.168	40.759	22.623	18.021	8.165	6.836
12	Norway	Principal	2.125	2.124	3.877	4.064	12.124	12.124	2.486	2.513	1.504
		Interest	1.797	1.537	1.321	2.196	0.598	0.460	1.129	1.010	0.346
13	Netherlands	Principal	1.102	0.000	0.221	0.528	0.679	0.654	0.411	0.303	0.354
		Interest	1.337	2.419	1.894	3.050	3.223	3.656	3.511	3.457	3.244
14	Russia	Principal	0.000	0.000	0.937	18.958	2.751	2.859	2.481	2.475	2.831
		Interest	0.000	0.000	3.367	23.375	6.566	6.436	6.279	6.157	6.027
15	Sweden	Principal	0.000	0.000	0.412	0.957	1.862	2.768	2.844	3.126	3.578
		Interest	1.987	1.962	3.553	7.063	9.262	9.042	5.114	2.135	1.683
16	Spain	Principal	0.000	0.098	0.580	1.369	1.051	0.857	0.633	0.533	0.610
		Interest	1.681	1.753	2.372	2.911	3.222	3.149	2.635	1.980	1.987
17	Switzerland	Principal	0.000	0.000	0.253	0.555	0.943	1.467	1.480	1.687	2.235
		Interest	0.941	0.803	1.319	1.530	2.244	3.363	2.732	1.380	1.339
18	USA	Principal	11.402	1.721	10.492	19.645	28.396	20.261	4.597	3.565	4.078
		Interest	61.619	56.098	64.334	61.191	63.618	62.136	29.488	29.318	29.111
19	UK	Principal	5.643	36.203	0.959	1.916	1.076	0.110	0.199	0.151	0.223
		Interest	2.552	6.537	0.545	0.598	0.655	0.382	0.727	0.651	0.143
	TOTAL (I)	Principal	96.561	519.328	125.636	250.485	229.103	234.882	170.102	141.485	161.786
		Interest	183.877	313.745	368.584	350.751	354.128	364.410	310.714	286.020	294.050
<b>II. NON-PARIS CLUB COUNTRIES</b>											
1	China	Principal	35.228	14.798	13.868	18.967	14.148	14.148	20.148	20.148	139.269
		Interest	25.661	13.980	13.310	7.377	11.623	10.060	10.283	46.620	76.892
2	Czecho-Slovakia	Principal	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
		Interest	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
3	Kuwait	Principal	3.030	5.395	5.733	7.054	7.079	7.408	6.953	7.800	7.983
		Interest	0.900	2.195	2.032	2.203	2.369	2.438	2.264	2.793	2.760
4	Libya	Principal	0.000	0.000	0.000	0.000	14.229	1.823	1.787	1.785	0.100
		Interest	0.000	0.000	0.000	0.000	1.789	0.060	0.046	0.025	0.006
5	Saudi Arabia	Principal	13.079	5.424	5.373	3.383	0.000	0.000	1.666	82.296	180.009
		Interest	2.900	1.285	1.122	1.162	1.168	1.171	1.165	6.212	13.976
6	UAE	Principal	1.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.538
		Interest	0.824	0.824	0.678	1.015	1.784	2.122	2.122	2.122	4.735
7	Exim Bank (FE)	Principal							3.853	4.224	5.594
		Interest							3.951	1.425	0.628
8	PL-480	Principal							1.291	1.171	1.153
		Interest							3.015	2.994	2.976
9	CCC	Principal							5.824	5.651	6.463
		Interest							17.322	16.982	16.623
	TOTAL (II)	Principal	52.337	26.617	24.974	29.404	35.456	23.379	41.522	123.075	341.109
		Interest	30.285	18.284	17.142	11.757	18.733	15.851	40.168	79.173	118.596

(Contd.)

TABLE 9.4

## DEBT SERVICE PAYMENTS OF FOREIGN MEDIUM AND LONG TERM LOANS (Paid in foreign exchange)

(US \$ million)

Fiscal Year	Kind	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12 (Jul-Mar)	
<b>III. MULTILATERAL</b>												
1	ADB	Principal	265.981	1370.429	245.272	236.757	261.303	330.746	410.229	511.695	626.773	521.405
		Interest	172.738	179.919	75.061	74.020	89.089	119.058	134.424	111.136	95.393	77.082
2	IBRD	Principal	249.499	287.173	322.704	294.377	273.293	296.781	276.333	225.073	172.956	144.117
		Interest	110.541	94.797	77.419	99.280	110.839	111.589	64.780	30.585	15.464	13.421
3	IDA	Principal	83.452	97.926	112.724	118.566	127.293	143.618	157.876	168.122	168.576	156.904
		Interest	39.885	45.063	51.049	50.918	59.761	73.878	72.111	82.620	82.377	79.587
4	IFAD	Principal	7.504	7.712	7.962	7.468	8.362	8.413	8.554	7.793	7.775	6.029
		Interest	1.751	2.106	2.043	1.802	1.827	1.951	1.808	1.754	1.721	1.249
5	IDB	Principal	9.679	3.208	2.956	3.504	4.066	6.942	6.486	6.840	9.488	5.673
		Interest	1.046	0.731	0.612	0.795	1.690	3.726	4.623	3.585	7.126	3.993
6	IDB (ST)	Principal			8.3	270.712	271.712	25.000	891.501	349.925	325.127	0.000
		Interest			0.243	11.039	12.039	22.866	44.277	18.551	28.614	14.783
TOTAL (III)		Principal	616.115	1766.448	699.918	931.384	946.029	811.500	1750.979	1269.448	1310.695	834.128
		Interest	325.961	322.616	206.427	237.854	275.245	333.068	322.023	248.231	230.695	190.115
<b>IV. DEVELOPMENT FUNDS</b>												
1	NORDIC	Principal	2.232	2.375	2.519	2.442	2.482	2.562	2.472	1.923	2.447	1.309
		Interest	0.723	0.565	0.685	0.917	1.007	0.875	0.490	0.210	0.203	0.106
2	OPEC Fund	Principal	6.504	5.178	4.800	4.561	4.204	4.935	4.016	4.015	3.298	2.166
		Interest	0.707	0.595	0.546	0.591	0.571	0.495	0.517	0.599	0.526	0.474
3	Turkey (EXIM Bank)	Principal	9.959	0.000	12.900	25.800	12.900	0.000	0.000	0.000	0.000	0.000
		Interest	0.388	0.000	1.875	2.776	0.648	0.000	0.000	0.000	0.000	0.096
4	E.I.Bank	Principal	0.000	0.637	0.679	1.345	2.094	2.600	2.492	7.525	5.277	1.921
		Interest	0.939	1.722	2.592	3.324	4.262	3.847	2.504	1.468	1.223	0.499
5	ANZ Bank / Standard chartered Bank	Principal								50.000	0.000	0.000
		Interest							7.996	4.061	0.000	0.000
TOTAL (IV)		Principal	18.695	8.190	20.898	34.148	21.680	10.097	8.980	63.463	11.022	5.396
		Interest	2.757	2.882	5.698	7.608	6.488	5.217	11.507	6.338	1.952	1.175
<b>V. GLOBAL BONDS</b>												
1	Euro Bonds	Principal	155.458	155.459	155.458	155.459	0.000	0.000	500.000	600.000	0.000	0.000
		Interest	62.023	39.181	57.644	91.561	145.000	207.667	177.220	132.040	110.904	85.031
2	Saindak Bonds	Principal	0	0	0	0	4.527	4.527	0.000	0.000	0.000	0.000
		Interest	0	0	0	0	0.282	0.282	0.000	0.000	0.000	0.000
3	US Dollar Bonds (NHA)	Principal	21.903	21.903	21.903	0	21.903	21.903	21.963	21.903	0.000	0.000
		Interest	4.594	3.326	4.414	0	5.684	5.684	3.680	1.485	0.000	0.000
TOTAL (V)		Principal	177.361	177.362	177.361	155.459	26.43	26.43	521.963	621.903	0.000	0.000
		Interest	66.617	42.507	62.058	91.561	150.966	213.633	180.900	133.525	110.904	85.031
TOTAL (I+II+III+IV+V)		Principal	961.069	2497.945	1048.787	1400.880	1258.698	1106.288	2493.546	2219.374	1824.612	1069.770
		Interest	609.497	700.034	659.909	699.531	805.560	932.179	865.312	753.287	756.197	483.214
Total			1570.566	3197.979	1708.696	2100.411	2064.258	2038.467	3358.858	2972.661	2580.809	
<b>VI. OTHERS</b>												
1	NBP's	Principal	0.000	0.000	3.111	2.945	2.979	3.016	3.592	3.022	3.055	0.000
		Interest	0.870	0.866	0.981	1.118	1.077	0.804	0.112	0.168	0.912	0.000
2	Bank of Indosuez	Principal	9.585	6.245	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
		Interest	1.012	0.213	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
3	NBP Bahrain	Principal	0.000	9.286	4.286	0.000	0.000	4.286	2.988	0.000	0.000	0.000
		Interest	1.410	0.621	0.983	0.469	0.000	0.474	0.402	0.000	0.000	0.000
4	ANZ Bank	Principal	0.000	0.000	0.000	4.286	4.286	0.000	0.000	0.000	75.000	0.000
		Interest	0.000	0.000	0.000	0.552	0.856	6.657	0.000	0.000	2.784	0.000
5	US Dollar Bonds	Principal									21.903	0.000
		Interest									0.301	0.000
6	Cash (ST)	Principal			16.280	16.280	17.280	16.280	66.280	116.279	0.000	0.000
		Interest			7.416	10.370	11.370	9.105	7.094	2.849	0.000	0.000
TOTAL (VI)		Principal	9.6	15.5	23.7	23.5	24.5	23.6	72.9	119.3	99.958	0.000
		Interest	3.3	1.7	9.4	12.5	13.3	17.0	7.6	3.0	3.997	0.000
TOTAL (I+II+III+IV+V+VI)		Principal	970.654	2513.476	1072.464	1424.391	1283.243	1129.870	2566.406	2338.675	1924.570	1069.770
		Interest	612.789	701.734	669.289	712.040	818.863	949.219	872.920	756.304	760.194	483.214
Grand Total (P+I)			1583.443	3215.210	1741.753	2136.431	2102.106	2079.089	3439.326	3094.979	2684.764	1552.984

Note: Exclusive of IMF

Source: Economic Affairs Division

TABLE 9.5

## TERMS OF FOREIGN LOANS/CREDITS CONTRACTED BY PAKISTAN

Lending Country/Agency	2007-08			2008-09		
	Amount	Interest Rate/	Amortization	Amount	Interest Rate/	Amortization
	(US \$ Million)	Commission(%)	(years)	(US \$ Million)	Commission(%)	(years)
<b>A.</b>	<b>Paris Club Countries</b>					
1. Germany				138.3	0.75	40
2. Japan	460.3	0.2-1.3	20-30	-	-	-
3. France				98.3	200bps	20
4. Italy	12.1	0.0	20.0			
Sub-Total (A):	472.4			236.6		
<b>B.</b>	<b>Non-Paris Club</b>					
1. China	327.7	3%	15	800	0-5	10-15
2. Kuwait						
3. Saudi Arabia	40.1	2%	26	125.2	3.25	3
4. Korea	20.0	1%	30	205.2	1.5	30-40
5. UAE						
Sub-Total (B):	387.8			1130.4		
<b>C.</b>	<b>Multilateral</b>					
1. IDB (ST)	352.8	5.8	1	596.5	Libor+2.5	1
2. IDB	224.2	1.25-5.1	1-18	287.8	Libor+0.55 and 1.5	18-26
3. IDA	259.2	0.75+4.9%	35	1528.7	0.75	35
4. ADB	1436.8	1-1.5 & Libor+60bps	15-24	1759.7	1.5 and Libor 6 months + 0.6	20-30
5. OPEC	5.3	2.5	20	66.3	Libor+1.85	20
6. IBRD				173.4	Libor 6 months + 0.75	30
7. IFAD	36.3	0.75	40			
Sub-Total (C):	2314.6			4412.4		
Total (A+B+C)	3174.8			5779.4		
Lending Country/Agency	2009-10			2010-11		
	Amount	Interest Rate/	Amortization	Amount	Interest Rate/	Amortization
	(US \$ Million)	Commission(%)	(years)	(US \$ Million)	Commission(%)	(years)
<b>A.</b>	<b>Paris Club Countries</b>					
1. Germany	20.3	0.75	40			
2. Japan	249.4	1.2	30	237	0.01 fixed	30
3. France	103.6	1.6	20	104	Libor 6 months +0.25	15-18
4. Italy				53	0	19
Sub-Total (A)	373.3			394		
<b>B.</b>	<b>Non-Paris Club</b>					
1. China	1979.8	6 and Libor 3 months + 1.1	19-25	214	2 fixed	18-20
2. Kuwait	49.9	1 fixed	25	43	1 fixed	25
3. Saudi Arabia	380.0	2 and Libor 3 months + 0.5	3-20	100	Libor 12 months + 0.85	1
4. Korea						
Sub-Total (B)	2409.7			356		
<b>C.</b>	<b>Multilateral</b>					
1. IDB Short-term	572.3	Libor+2.5	1			
2. IDB	362.2	5.1 US SWAP RATE 15 YRS +1.2	15-20	220	1 fixed	15
3. IDA	508.4	0.75 fixed	35	603	3.95 and 0.75 fixed	25
4. ADB	711.8	1.5 and Libor 6 months + 0.6	20-30	893	1.5 and Libor 6 months + 0.6	18-30
5. OPEC	31.1	1.75 fixed	20			
6. IBRD				261	Libor 6 months + 0.75	25
7. IFAD	18.8	0.75 fixed	26			
8. EIB	149.5	Libor 6 months + 0.15	35			
9. E.C.O. T / BANK				10	Libor 6 months + 1.5	7
Sub-Total (C)	2354.1			1987.0		
Total (A+B+C)	5137.1			2737.30		

Source: Economic Affairs Division

TABLE 9.5

## TERMS OF FOREIGN LOANS/CREDITS CONTRACTED BY PAKISTAN

Lending Country/Agency	2011-12 (July-March)		
	Amount	Interest Rate/	Amortization
	(US \$ Million)	Commission(%)	(years)
<b>A. Paris Club Countries</b>			
1. Germany			
2. Japan	65	0.01 Fixed	30
3. France			
4. Italy			
<b>Sub-Total (A)</b>	<b>65.0</b>		
<b>B. Non-Paris Club</b>			
1. China	351.3	2 Fixed	12-14
2. Kuwait			
3. Saudi Arabia			
4. Korea			
<b>Sub-Total (B)</b>	<b>351.3</b>		
<b>C. Multilateral</b>			
1. IDB Short-term			
2. I DB			
3. IDA	458.4	1.55 fixed	25
4. ADB	507.2	1.5 and Libor 6 months + 0.6	16.23
5. OPEC			
6. IBRD			
7. IFAD	41.1	0.75	40
8. EIB			
9. E.C.O. T / BANK			
<b>Sub-Total (C)</b>	<b>1006.7</b>		
<b>Total (A+B+C)</b>	<b>1423.0</b>		

Source: Economic Affairs Division

TABLE 9.6

## GRANT ASSISTANCE AGREEMENTS SIGNED

	(US \$ million)									
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12 (Jul-Mar)
<b>I. Paris Club Countries</b>										
1. Australia		0.3		0.1		0.9				
2. Austria				0.7						
3. Canada		13.8				9.4	5.5			
4. Germany			21.0	31.4	37.3			68.4	11.3	17.32
5. Japan	50.7	46.0	113.5	67.8		6.6	41.6	39.8	67.8	10.7
6. Netherlands										
7. Norway	3.9	10.4	3.2					4.4	5	
8. Korea								1.5	5	
9. Switzerland	8.2			0.7					1.3	
10. UK	158.8	79.0	44.1	227.5	67.7	136.9	142.5	363.4	89.04	321.56
11. USA	65.4	129.4	647.5	514.3	269.4	118.9	377.4	1046.1	1215.3	
12. Italy	-	-	-	-	-	-	-	-	-	-
13. DENMARK									24.8	
<b>Sub-Total (I)</b>	<b>287.0</b>	<b>278.9</b>	<b>829.3</b>	<b>843</b>	<b>374.4</b>	<b>272.7</b>	<b>567.0</b>	<b>1523.6</b>	<b>1419.54</b>	<b>349.58</b>
<b>II. Non Paris Club Countries</b>										
1. China	6.0	0.2			49.4	0.4			249.5	20.63
2. Iran	-	-	-	-	-	-	-	-	-	-
3. UAE	-	-	-	-	-	-	-	-	-	-
4. Oman										
5. Saudi Arabia	100.0	50.0								
<b>Sub-Total (II)</b>	<b>106.0</b>	<b>50.2</b>	<b>0.0</b>	<b>0.0</b>	<b>49.4</b>	<b>0.4</b>	<b>0.0</b>	<b>0.0</b>	<b>249.5</b>	<b>20.6</b>
<b>III. Multilateral</b>										
1. ADB				175.0	5.0				3	3
2. EEC / EU	21.3	1.2			58.1		25.2	80.2	144.63	39.76
3. Islamic Development Bank	0.3								0.3	
4. IDA	0.3	51.7	1.5		9.1	0.1	5.5		18.48	99.36
5. IBRD	10.1			0.5						26
6. UN and Specialised Agencies	-	-	-	-	-	-	-	-	-	-
7. UNDP Special Grant	11.5	20.8	3.9	1.9	2.5	1.4				
8. World Food Programme			111.0							
9. UNFPA										
<b>Sub-Total (III)</b>	<b>43.5</b>	<b>73.7</b>	<b>116.4</b>	<b>177.4</b>	<b>74.7</b>	<b>1.5</b>	<b>30.7</b>	<b>80.2</b>	<b>166.41</b>	<b>168.12</b>
<b>IV. Relief Assistance for</b>										
A. Afghan Refugees	11.0	2.1		1.5	3.4	1.6	2.2	2.7	6.12	4.76
B. Earthquake										
1. AFGHANISTAN	-	-	-	0.5	-					
2. ALGERIA	-	-	-	1.0	-					
3. AUSTRIA	-	-	-	-	-					
4. AZERBAIJAN	-	-	-	1.5	-					
5. BHUTAN	-	-	-	0.1	-					
6. BRUNEI	-	-	-	0.6	-					
7. CHINA	-	-	-	28.3	-					
8. CYPRUS	-	-	-	0.1	-					
9. INDONESIA	-	-	-	1.0	-					
10. JORDAN	-	-	-	1.0	-					
11. MALAYSIA	-	-	-	1.0	-					
12. MOROCCO	-	-	-	1.5	-					
13. OMAN	-	-	-	5.0	-					
14. PAK-TURK FOUNDATION	-	-	-	4.0	-					
15. SAUDI ARABIA	-	-	-	200.0	133.3	300.0				
16. SOUTH KOREA	-	-	-	0.5	-					
17. THAILAND	-	-	-	0.5	-					
18. TURKEY	-	-	-	150.0	-		10			
19. UK	-	-	-	-	-					
20. ADB	-	-	-	-	-					
21. WB (IDA)										
22. Germany										
23. IDB	-	-	-	0.3	-					
24. MAURITIUS				0.0						
<b>Sub-Total (IV)</b>	<b>11.0</b>	<b>2.1</b>	<b>-</b>	<b>398.4</b>	<b>136.7</b>	<b>301.6</b>	<b>12.2</b>	<b>2.7</b>	<b>6.1</b>	<b>4.8</b>
<b>Grand Total (I+II+III+IV)</b>	<b>447.6</b>	<b>404.9</b>	<b>945.7</b>	<b>1,418.4</b>	<b>635.2</b>	<b>576.2</b>	<b>609.9</b>	<b>1606.5</b>	<b>1841.6</b>	<b>543.1</b>

Source : Economic Affairs Division

TABLE 9.7

## TOTAL LOANS AND CREDITS CONTRACTED

										(US \$ million)
Lending Country/Agency	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12 (Jul-Mar)
<b>A. Paris Club Countries</b>										
1. Austria	-	-	-	-	-	-	-	-	-	-
2. Australia	-	-	-	-	-	-	-	-	-	-
3. Belgium	-	-	-	-	-	-	-	-	-	-
4. Canada	-	-	-	-	-	-	-	-	-	-
5. France	-	-	-	-	50.0	-	98.0	103.6	103.9	-
6. Germany	-	-	165.8	-	6.0	-	138.0	20.3	-	-
7. Japan	26.0	-	-	245.0	198.2	460.4	-	249.4	237.5	65.0
8. Netherlands	-	-	-	-	-	-	-	-	-	-
9. Norway	-	-	-	-	-	-	-	-	-	-
10. Spain	-	-	-	-	-	-	-	-	-	-
12. UK	-	-	-	-	-	-	-	-	-	-
13. USA	-	-	-	-	-	-	-	-	-	-
14. Italy	-	-	-	-	-	12.1	-	-	53.5	-
15. Sweden	-	-	-	-	-	-	-	-	-	-
<b>Sub-Total (A)</b>	<b>26.0</b>	<b>0.0</b>	<b>165.8</b>	<b>245.0</b>	<b>254.2</b>	<b>472.5</b>	<b>236.0</b>	<b>373.3</b>	<b>394.9</b>	<b>65.0</b>
							236.0			
<b>B. Non-Paris Club Countries:</b>										
1. China	118.2	-	355.0	322.2	-	328.0	800.0	1979.8	213.7	351.3
2. Korea	-	-	-	17.0	-	20.0	205.0	-	-	-
3. Kuwait	-	-	34.3	-	38.1	-	-	49.9	42.6	-
4. Saudi Arabia	-	25.0	-	-	133.1	40.0	125.0	380.0	100.0	-
5. Turkey (EXIM Bank)	-	-	-	-	-	-	-	-	-	-
6. Abu Dhabi Fund	-	-	-	-	-	-	-	-	-	-
<b>Sub-Total (B)</b>	<b>118.2</b>	<b>25.0</b>	<b>389.3</b>	<b>339.2</b>	<b>171.2</b>	<b>388.0</b>	<b>1130.0</b>	<b>2409.7</b>	<b>356.3</b>	<b>351.3</b>
<b>C. Multilateral:</b>										
1. IBRD	-	53.0	340.0	319.0	100.0	-	173.4	-	261.4	-
2. IDA	268.0	691.0	601.8	1166.4	912.0	259.1	1529.0	508.4	603.0	458.4
3. ADB	878.0	883.4	725.2	835.0	1443.3	1436.4	1760.0	711.8	892.6	507.2
4. IFAD	-	22.2	-	54.0	-	36.4	-	18.8	-	41.1
5. European Investment Bank	-	50.0	-	-	-	-	-	149.5	-	-
6. ECOTDB	-	-	-	-	-	-	-	-	10.0	-
7. OPEC Fund	15.0	-	-	-	10.0	5.1	66.0	31.1	-	-
8. IDB	-	-	8.0	121.0	200.0	224.0	288.0	362.2	220.3	-
9. KPC	-	-	-	-	-	-	-	-	-	-
10. IDB (ST)	47.0	350.0	115.0	-	425.0	353.0	597.0	572.3	-	-
<b>Sub-Total (C)</b>	<b>1208.0</b>	<b>2049.6</b>	<b>1790.0</b>	<b>2495.4</b>	<b>3,090.3</b>	<b>2314.0</b>	<b>4413.4</b>	<b>2354.1</b>	<b>1987.3</b>	<b>1006.7</b>
<b>Grand-Total (A+B+C)</b>	<b>1352.2</b>	<b>2074.6</b>	<b>2345.1</b>	<b>3079.6</b>	<b>3515.7</b>	<b>3174.5</b>	<b>5779.4</b>	<b>5137.1</b>	<b>2738.5</b>	<b>1423.1</b>

Source : Economic Affairs Division