DEBT POLICY STATEMENT
JANUARY 2025

Debt Management Office
Ministry of Finance

Table of Contents

List of Tables

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Imdad Ullah Bosal
Finance Secretary
Finance Division
Government of Pakistan

1.0 Executive Summary

Emphasizing transparency and accountability, the government publishes the annual Debt Policy Statement, offering a comprehensive review of public debt trends and progress towards debt management objectives. In FY-24, the economy experienced notable macroeconomic improvements, driven by the government's reform-led stabilization policies. Key achievements included GDP recovery, a primary fiscal surplus, a reduced current account deficit, and exchange rate stability. These positive trends continued into FY-25, resulting in the following positive developments:

Key Highlights:

- **Debt-to-GDP Ratio**: Total debt of the government as percentage of GDP, as per the FRDL Act, has reduced from 68.8% in FY-23 to 61.6% in FY-24.
- **Fiscal Performance**: Achieved primary surplus of PKR 3,202 billion and fiscal surplus of PKR 1,896 billion in Q1 FY-25, on consolidated basis.
- **Debt Reprofiling**: Increased reliance on long-term instruments reducing refinancing risk, with the Average Time to Maturity (ATM) of domestic government securities rose from 2.8 years in June 2024 to 3.3 years in December 2024.
- **Islamic Financing**: The share of Islamic instruments in total government debt securities has increased to 12.6% by December 2024, up from 11.4% in June 2024.
- **External Debt**: Decline of external debt to total public debt from 38% in FY-23 to 34% in FY-24, in compliance with 40% ceiling set by the Medium-Term Debt Strategy
- **Liability Management**: The government's newly introduced Liability Management Operations (LMOs) involved the buyback of government securities totaling PKR 1,026 billion, resulted in savings of around PKR 31 billion.
- **Diversifying Financing Avenues**: Key external financing initiatives include significant progress on Panda Bonds issuance and development of Policy Frameworks for Green and Sustainable Bond/Sukuk issuances in both domestic and global markets. Plans also include issuing domestic Green Sukuk and Asset Light Sukuk.
- **Broadening of investor base**: Efforts are made to diversify the investor base through initiatives such as introducing new instruments, in both domestic conventional and Islamic debt markets, with aim to enhance market depth and lower government's borrowing costs.

2.0 Introduction &Economic Overview

Public debt plays an important role in the overall economic condition of the country. Developing countries like Pakistan are in continuous need for financing to meet budgetary requirements and allocation of resources for social and infrastructure development. Therefore, it is imperative to have an effective debt management strategy to minimize the costs of meeting the government's borrowing needs, while taking into account the associated risks by ensuring an optimum combination of debt composition.Given the importance of public debt, it is imperative to periodically review and publish information related to public debt levels and progress against debt management strategy. For this purpose, the Debt Policy Statement is prepared which includes information and analysis relating to domestic & external public debt and guarantees.

FY-24 saw improvement in the major macro-economic indicators, as the government's reforms-led stabilization policies resulted in recovery and growth in GDP, moderating inflation, a primary fiscal surplus, reduced current account deficit, and a stable exchange rate.

This positive trend on the macro-economic front materialized in the following positive economic developments in Q1 FY-2025:

- The fiscal balance recorded a surplus of PKR 1,896 billion (1.5% of GDP), compared to a deficit of PKR 981 billion (0.9% of GDP) in the same period last year. Meanwhile, the primary balance (surplus) reached PKR 3,202 billion (2.6% of GDP), up from PKR 400 billion (0.4% of GDP) in the same period last year.
- The current account deficit narrowed to USD 0.1 billion, down from USD 1.2 billion in the corresponding period last year.
- The Consumer Price Index (CPI) inflation stood at 9.2%, a significant decrease from 29.0% in the same period last year.

Table 1 Key Macroeconomic Indicators

	FY-23	FY-24	Q1 FY-25
Real GDP Growth Rate	-0.22%	2.50%	0.92%
CPI (FY- average YoY)	29.2%	23.4%	9.2%
Primary Balance (PKR billion)	(826)	953	3,202
as % of GDP	-1.0%	0.9%	2.6%
Fiscal Balance (PKR billion)	(6,251)	(7,207)	1,896
as % of GDP	-7.8%	-6.8%	1.5%
Current Account (USD billion)	(3.3)	(1.7)	(0.1)
as % of GDP	-1.0%	-0.5%	-

Source: State Bank of Pakistan, Pakistan Bureau of Statistics, Monthly Economic Update E.A Wing Ministry of Finance

3.0 Review of Public Debt

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

During FY- 24, total public debt increased by 13% to stand at PKR71,246 billion at June 2024, out of which domestic debt was PKR 47,160 billion and external debt of PKR 24,086 billion. In terms of debt-to-GDP ratio,total Public Debt showed a decrease of 7%, to stand at 67.5% at June 2024. During Q1 FY-25, there was a marginal increase of 1.3% in public debt to stand at PKR 72,138 billion.

Table 2: Total Public Debt **(PKR Billion)**

	Jun-23	Jun-24	Sep-24
Domestic Debt	38,809	47,160	47,536
External Debt	24,071	24,086	24,602
Total Public Debt	**62,880**	**71,246**	**72,138**
Total Debt of Government[1]	**57,778**	**65,079**	**64,091**
Debt Ratios			
Total Public Debt as percentage of GDP	**74.9**	**67.5**	-
Total Debt of Government as percentage of GDP	68.8	61.6	-
Memorandum Items			
GDP (current market price)	**83,949**	**105,616**	**-**
Government deposits with the banking system[2]	5,102	6,141	8,047
US Dollar, last day average exchange rates	286.4	278.4	277.7

1.As per Fiscal Responsibility and Debt Limitation Act, 2005 as amended from time to time, "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 and Debt Management Office, Ministry of Finance

3.1 Domestic Debt

Majority of total public debt comprises of borrowing from domestic sources. In FY-24, total domestic debt increased by PKR 8,351 billion to stand at PKR 47,160 billion at June 2024, which is ~66% of the total public debt. This level has increased slightly by 0.8% to PKR 47,536 billion at end September-24.

Domestic debt has three major components; permanent debt, floating rate debt, and unfunded debt.

- Permanent debt is long-term debt having maturity of greater than 1-year, fixed and floating, mostly in the form of Pakistan Investment Bonds (PIBs) and Government Ijarah Sukuks (GIS). As of June-24, permanent debt increased by 30% (YoY) to stand at PKR 33,181 billion. However, there was slight decline by 1.9% during Q1-FY-25 to stand at PKR 32,444 billion as of September-2024.
- Floating rate debt comprises of Short-Term debt having maturities of less than 1 year. They

mainly include Market Treasury Bills of 3-month, 6-month and 12-month tenors. As of June-24, floating rate debt increased by 10% to stand at PKR 10,247 billion. This trend continued during Q1-FY- 25 where floating rate debt increased by 9.5% to stand at PKR 11,222 billion as of September- 24.

- Unfunded debt is debt raised through non-banking sources primarily through various instruments available under the National Savings Schemes, administered by the Central Directorate of National Savings. As of September- 24, the amount stands at PKR 2,827 making it around 6% of total domestic debt.

Table 3: Total Domestic Debt **(PKR Billion)**

	Jun-23		Jun-24		Sep-24	
	PKR bn	%	PKR bn	%	PKR bn	%
Domestic Debt	**38,810**	**100**	**47,160**	**100**	**47,536**	**100**
Permanent Debt	**25,547**	**66**	**33,181**	**70**	**32,554**	**68**
- PIBs	22,009	57	28,026	59	27,127	57
- Prize Bonds	383	1	385	1	390	1
- Sukuk / Bai-Muajjal	3,151	8	4,766	10	5,033	11
- Others	4	0	4	0	4	0
Floating Debt	**9,335**	**24**	**10,247**	**22**	**11,222**	**24**
- T-Bills	9,269	24	10,167	22	11,137	23
- MTBs for Replenishment	66	0	80	0	85	0
Unfunded Debt	**2,926**	**8**	**2,799**	**6**	**2,827**	**6**
- NSS	2,818	7	2,708	6	2,741	6
- Others	108	0	91	0	86	0
Naya Pakistan Certificate	**143**	**0**	**84**	**0**	**85**	**0**
SBP loan to GOP against SDRs allocation	**475**	**1**	**475**	**1**	**475**	**1**
Foreign Currency Loans*	**383.8**	**1**	**374**	**1**	**373**	**1**

Source: State Bank of Pakistan

3.2 External Debt

External debt continued to increase during Q1-FY- 25, to stand at USD 88.7 billion as of September- 24. In terms of external debt composition, following are the salient features:

- More than half of Pakistan's external debt (56% as of September-24) is from multilateral development financial institutions, including the IMF.
- Second major source of external debt is from bi-lateral partners including Paris club, which has approximately 28% share of external debt.
- The remaining external debt consists of 8% from international Bond issuances, 6% from commercial banks, 2% from other sources which also include Naya Pakistan Certificates.
- During FY-24, the stock of external debt (in USD) witnessed a net increase of 3% YoY, while the

share of external debt in total public debt decreased from 38 percent (June-23) to 34 percent (June-24). The external debt exposure is still within the maximum limit of 40 percent as envisaged in MTDS but remains sensitive to exchange rate movement.

The following table shows the creditor-wise external debt stock position:

Table 4: Total External Debt **(USD Million)**

	Jun-23	Jun-24	Sep-24
External Public Debt	**84,049**	**86,525**	**88,578**
a- Long term (>1 year)	**83,889**	**85,765**	**87,701**
- Paris Club	7,901	6,474	6,990
- Multilateral	44,487	47,626	49,149
- Other Bilateral	17,572	18,552	18,228
- Euro/Sukuk Global Bonds	7,800	6,800	6,800
- Commercial Loans	5,564	5,490	5,600
- Naya Pakistan Certificates	534	784	889
- Local Currency Securities (PIBs)	3	24	32
- NBP/BOC deposits/PBC	28	15	13
b- Short term (<1 year)	**160**	**760**	**877**
- Multilateral	160	250	212
- Local Currency Securities (T-bills)	0	510	665
- Commercial Loans	0	0	0

Source: Economic Affairs Division and State Bank of Pakistan

Table 5: Currency Composition of Public Debt (%)

Currencies	Jun-23	Jun-24	Sep-24
Pak Rupee	62	66	66
US Dollar	24	21	21
Special Drawing Right (SDR)	9	8	8
Japanese Yen	2	2	1
Others	3	3	4
Total	**100**	**100**	**100**

Source: Economic Affairs Division

4.0 Analysis of Debt Management Strategies

The major objective of an effective debt management strategy is to meet the government's debt obligations at the minimum possible cost maintaining a prudent level of risk.This principle was followed while developing the government's debt management strategies, which are detailed in the Medium-Term Debt Management Strategy (FY-2023-26) document. This document provides guidelines on the debt management decisions and borrowing operations of the government keeping in view the composition and risk exposure of the public debt. The major strategic guidelines and progress against these strategies are shared below:

4.1 Lengthening of Maturity Profile

'In order to reduce the risk of refinancing, lengthening of maturity profile of domestic debt by mobilizing financing from medium and longer tenor instruments will remain apriority'

The Average Time to Maturity (ATM) of Domestic government securities was 2.82 as of June-24. During the past fiscal year, the share of permanent debt out of total domestic debt, which consists of medium-to-long term instruments, increased from 66% in FY-23 to 70% in FY-24. This was due to significant issuance of PIBs, where the stock increased from PKR 22,009 billion in FY-23 to PKR 28,026 billion in FY-24. Recognizing the importance of lengthening of maturity profile of domestic debt, the government has increased the issuance of various medium-to-long-term instruments. These include 2-year zero-coupon and variable-rate bonds, as well as 3-5 and 10-year fixed and floating rate instruments, catering to both conventional and Sharia-compliant investors.

4.2 Diversification of instruments and Investor Base

'To borrow through multiple instruments to lower borrowing cost and provide more options to investors to choose investments which are closer to their investment horizons, income preferences and risk appetite'

The government has introduced new instruments to widen the investor base, which will lead to increased competition thus resulting in competitive rates for government debt instruments and lower overall cost of borrowing. In this regard, the government is especially trying to target an increase in the share of Islamic instruments within government securities to 15% by FY-26. This initiative aims to leverage the expanding demand for Sharia-compliant financing, providing the government access to more varied funding sources while catering to the preferences of a significant segment of investors. As part of this strategy, the government introduced new long-term Sharia compliant debt instruments, such as 10-year fixed and variable rate Sukuk. These instruments are expected to help in broadening the investor-base and deepen the market. Additionally, the State Bank of Pakistan has announced a new platform, InvestPak, designed to streamline the process of direct investment in government securities. This initiative will enable individuals and organizations to bypass traditional banking intermediaries, offering the potential for higher returns while promoting a culture of saving and investment. Recent removal of the minimum deposit rate (MDR) requirement on deposits held by financial institutions, public-sector enterprises and public limited companies is also a strategic step to attract direct investment in government securities from non-banking sector.

In addition, the government plans to issue Green Sukuk on the Pakistan Stock Exchange (PSX) along with Asset Light Structure - Sukuk, further diversifying funding avenues. This move also aligns with global sustainability goals. Collectively, these efforts are designed to broaden the investor base and enhance market depth and liquidity.

4.3 Issuance of Sharia Compliant Instruments

'In order to promote Islamic banking industry in the country and support budgetary position, government will continue to issue sharia compliant instruments in the domestic capital market regularly along with introduction of multiple tenor instruments with various options of profit frequency'

Promotion of sharia compliant instruments will achieve the twin goal of promoting Islamic banking industry along with diversifying the investor base. In this regard, FY-24 saw significant issuances of sharia-compliant Sukuk instruments amounting to around PKR 1,615 billion, which increased the share of Sharia compliant financing to 11% of total government debt instruments. This trend continued in Q1-FY- 25, as an additional PKR 383 billion Sukuk instruments were issued, which increased the share of Sharia compliant financing instruments up-to 11.5% of total government debt securities.

4.4 Concessional External Financing

'Government will continue to avail maximum available concessional external financing from bilateral and multilateral development partners to benefit from favorable terms and conditions. This will help in lengthening of maturity profile of external debt.'

The breakdown of external debt shows majority of loans are obtained from multilateral financial institutions and bilateral sources. These types of loans are contracted on low or concessional rates with long-term tenors in comparison to commercial sources. As of September-24, 84% of loans are sourced from Multilateral and Bilateral sources. The ATM of external loans decreased slightly to 6.2 as of June-24 from 6.4 as of June- 23 on account of higher net principal outflows.

Table 6: Category-wise breakdown of External Debt Sources **(USD Million)**

Source	Jun-23		Jun-24		Sep-24	
- Multilateral	44,647	53%	47,876	55%	49,361	56%
- Bilateral	25,473	30%	25,026	29%	25,218	28%
- Euro/Sukuk Global Bonds	7,800	9%	6,800	8%	6,800	8%
- Commercial Loans	5,564	7%	5,490	6%	5,600	6%
- Others	565	1%	1,333	2%	1,599	2%
Total	84,049	100%	86,525	100%	88,578	100%

Source: Economic Affairs Division and SBP

The public external debt increased by USD 2.5 billion during FY-24 and by USD 2 billion at end September-24. The total external loan disbursements amounted to USD 9.8 billion during FY-24. The disbursements were mainly from multilateral and bilateral sources. The major disbursements from bilateral sources included time deposits of USD 2 billion from Saudi Arabia. The major disbursements from multilateral sources included USD 2.2 billion from the World Bank, USD 1.3 billion from the ADB, and USD 345 million from the AIIB.

During Q1-FY-25, total external loan disbursements stood at USD 1.3 billion. The major disbursements from multilateral sources included USD 277 million from the World Bank, and USD 114 million from the ADB. Major disbursements from bilateral sources stood at USD 250 million while from foreign commercial sources, the disbursements stood at USD 200 million. Debt servicing, including interest payments and repayment of principal stood at USD 13.5 billion and USD 3 billion during FY-24 and Q1-FY-25, respectively.

4.5 Presence in International Capital Markets

'Government will continue to ensure its presence in the International Capital Markets (ICM) through issuance of Eurobonds and International Sukuks. Government also intends to tap other avenues within ICM like Environmental, Social, and Governance (ESG) bonds, Green Bonds, Sustainability Linked Bonds, Gender Bonds, etc.'

The government is contemplating additional sources of external financing by tapping international Bond Market and securing commercial loans. Tapping international markets is dependent on favourable interest rate conditions along with other economic factors.

In this regard, the government is working on issuing Panda Bond in the Chinese Market and Sustainable Bonds in the International market with maturity, interest rate type, and repayment structure dependent upon the investors' appetite.

A Policy Framework for Green and Sustainable Bond / Sukuk Issuance is currently in developing phase which will be instrumental in laying the groundwork for issuance of green and sustainable bonds / sukuks. By focusing on the development of the primary market and creating a conducive environment for green finance, the government aims to position itself for the successful issuance of this innovative sustainable financing debt instruments in the coming year.

5.0 Guarantees

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. Fiscal Responsibility and Debt Limitation Act, 2005, as amended from time to time, under sub-section 3, clause (d) imposes the following two ceilings related to government guarantees:

(i) Flow ceiling: 2 percent of GDP on the issuance of government guarantees, with renewal of existing guarantees being considered as issuing new guarantees; and

(ii) Stock ceiling: 10 percent of GDP on the total stock of outstanding government guarantees.

Following table contains details of government guarantees stock:

Table 7: Government Guarantees Stock (PKR Billon)

	Jun-23	Jun-24	Sep-24
Outstanding Guarantees (Extended to PSEs)	**3,519**	**3,387**	**4,254**
-Domestic Currency	1,622	1,460	2,352
-Foreign Currency	1,898	1,927	1,901
Memo: Foreign Currency (USD billion)	6.6	6.9	6.8

Source: Relevant Public Sector Enterprises and Debt Management Office, Ministry of Finance

During FY- 24, the government issued new guarantees, including rollovers, amounting to Rs 274 billion or 0.26% of GDP while stock of guarantee stood at 3.2% of GDP as of June-end 24. During Q1-FY- 25, only rollover of a single guarantee amounting to PKR 50 billion was made.

Approximately 70% of the guarantees are issued for the power sector entities followed by commodity operations. Increase in September-24 from June-24 is attributed to the inclusion of guarantees issued against commodity operation financing obtained by SOEs (TCP & PASSCO), which were mentioned separately in past reports.

Breakdown of government guarantees according to sector and interest rate type:

Table-8: Details of Government Guarantees (PKR Billion)

	Jun-23		Jun-24		Sep-24	
	PKR bn	USD bn	PKR bn	USD bn	PKR bn	USD bn
			(Sector Wise Breakup)			
Total Guarantees Stock	**3,515**	**12.3**	**3,381**	**12.1**	**4,254**	**15.3**
- Power Sector	2,541	8.9	2,353	8.5	2,335	8.4
- Aviation	249	0.9	247	0.9	269	1
- Financial	102	0.4	114	0.4	137	0.5
- Manufacturing	45	0.2	45	0.2	45	0.2
- Oil & Gas	231	0.8	170	0.6	180	0.6
- Commodity Operations		-	-	-	830	3
- Others	347	1.2	452	1.6	458	1.6
			(Applicable Interest Rate)			
Total Guarantees Stock	**3,515**	**12.3**	**3,387**	**12.2**	**4,254**	**15.3**
- Floating Rate	1,683	5.9	1,498	5.4	2,374	8.5
- Fixed Rate	1,832	6.4	1,889	6.8	1,880	6.8

Source: Relevant Public Sector Enterprises and Debt Management Office, Ministry of Finance

6.0 Assessment of Debt Reduction Path

Section 3, of the Fiscal Responsibility and Debt Limitation (FRDL) Act 2005 pertains to principals of sound fiscal and debt management wherein, the federal government has to take measures to reduce fiscal deficit (excluding grants) and ratio of total public debt to gross domestic product and maintain it within certain prudent limits, which have been defined as:

Debt-to-GDP ratio, of 60% was stipulated till FY- 2017-18, with reduction of 0.5 percent every year till 2022-23 and 0.75 percent every year till 2032-33 to reduce the ratio to 50% and thereafter maintaining it at 50% or less.

The actual debt to GDP ratio against the stipulated limits for past three fiscal years:

Table 8: Debt-GDP Ratio

	FY-22	FY-23	FY-24
Total Public Debt	73.9%	74.9%	67.5%
Total Debt of the Government - FRDLA Definition	66.6%	68.8%	61.6%
FRDL Act Defined Limit	*58.0%*	*57.5%*	*56.75%*

Source: Ministry of Finance and State Bank of Pakistan

In order to understand the causes for increase in public debt levels, it is important to analyze the two primary factors which determine total public debt stock; fiscal deficit, which can be further bifurcated into two components i.e., primary deficit and interest expense and exchange rate revaluation of external debt. The trends for the past three fiscal years is presented below:

Table 9: Causes of Rising Borrowing Needs (PKR Billion)

	Jun-22	Jun-23	Jun-24
Total Public Debt	**49,242**	**62,881**	**71,246**
Increase/(Decrease) in Total Public Debt (I+II)	**9,376**	**13,638**	**8,365**
(I) Effect of Transactions	**5,561**	**6,392**	**7,898**
Federal Primary Deficit / (Surplus)	2,428	1,005	(435)
Interest Expense	3,182	5,671	8,160
Net Cash Balance Increase / (Decrease)	(49)	(284)	173
(II) Effect of Exchange Rate Impact / Others	**3,815**	**7,246**	**467**
USD Last day average exchange rates	204.4	286.4	278.4

Source: Debt Management Office, Ministry of Finance, State Bank of Pakistan

As mentioned above, the two main factors for increase in public debt levels over the past three fiscal years were interest expense and exchange rate revaluation. The federal primary deficit has been on the decline, and in fact a federal primary surplus was generated during FY-24. However, interest costs continued to increase, primarily due to the high-interest rate environment, as SBP policy rate reached a high point of 22% during FY-24. Due to significant exchange rate devaluation during FY-22 &FY-23 periods, the exchange rate impact contributed significantly for the increase in debt stock during FY-23.

However, due to economic stabilization and fiscal consolidation measures, exchange rate remained relatively stable during FY-24 which also resulted in generating fiscal surplus.

Government has introduced various structural reforms and fiscal stabilization measures such as broadening the tax base, reforming the Public Sector Enterprises (PSEs), while ensuring that social safety net and development spending are not impacted. All these measures are expected to bring stability leading to gradual reduction in the fiscal deficit over next few years. With narrower fiscal deficit, public debt is projected to enter a downward path. Reducing reliance on external debt depends on strengthening foreign exchange earnings and achieving a balanced or surplus current account. With the government's initiatives, a sustained increase in workers' remittances and exports is anticipated to manage the current account deficit, ultimately reducing the dependence on external debt.

7.0 Recent Updates/Developments

Following have been the highlights of borrowing operations during first half (July – December 2024) of current fiscal year:

- Pakistan received the first tranche of USD 1.03 billion under the IMF's Extended Fund Facility amounting to USD 7 billion. This resulted in positive sentiment regarding Pakistan's macro-economic stability reflected by improvement in the country's sovereign rating.
- Keeping in view the priority of extending the domestic debt maturity, the government undertook significant portfolio restructuring by taking advantage of bullish government debt markets and an inverted yield curve. The portfolio was strategically shifted from short-term Treasury bills to long-term fixed and floating rate Pakistan Investment Bonds (PIBs), issuing over 3 trillion in long-term instruments, primarily 10-year bonds at competitive rates. This transition yielded multiple benefits: it extended the debt portfolio's maturity profile over 3.0 years, reduced short-term interest rates, and addressing both refinancing and rollover risks. The aforementioned strategy resulted in reprofiling of debt portfolio while reducing the government's borrowing costs.
- Within external debt, inflows from multilateral and bilateral development partners remained major sources of funding for deficit financing support. During Jul-Nov total disbursements amounted to USD 1.1 billion.
- The Ministry of Finance *initiated a Buyback and Exchange Program.*During the period under review, through three strategic Liability Management Operations (LMOs), the government successfully repurchased PKR 1,026 billion worth of short-term treasury bills, resulting in interest cost savings of PKR 31 billion. This initiative has yielded multiple benefits; it optimized fund utilization, reduced concentration risk, and positively influenced both short-term and long-term borrowing costs for the government.

- To meet diverse investor demands, the government introduced multiple long-term instruments, including 10-year Sukuk with both variable and fixed rates of return (VRR and FRR). In Q2-FY- 25, PKR 375 billion of these instruments were successfully issued at competitive rates.

- CDNS continues its efforts towards diversification of offerings and enhanced service delivery. Specifically, CDNS launched Sharia compliant products and offered Alternative Delivery Channels (ADCs), particularly through ATM Cards and Mobile Applications.

8.0 Conclusion

The Government is committed to accomplish objectives outlined in FRDL Act, 2005, especially related to the debt reduction path. Over the medium-term, the government’s strategy is to reduce its debt burden to a sustainable level by adhering to its commitment of carrying primary surpluses, promote measures that support higher long-term economic growth and efficient/productive utilization of debt. With narrower fiscal deficit, public debt is projected to enter a downward path while government’s efforts to improve maturity profile will enhance public debt sustainability.

The Government will continue to spearhead key reforms to deepen the domestic debt market and diversify the investor and instrument base. The Government will continue to optimize use of concessional funding and lengthen the maturity profile of public debt through issuance of medium to long term bonds. The Government will endeavor to maintain its presence in the international financial markets through refinancing of commercial maturities and mobilizing resources for budget support. To supplement traditional sources of funding, the Government will explore alternative funding sources including the issuance of Green Sukuk, asset light structures, green, social, sustainability-linked bonds, and Panda bonds. Other emerging funding sources such as debt swaps especially debt for nature swaps and debt for climate swaps are also under consideration. Furthermore, buyback and exchange policy will be pursued by conducting similar operations based on favorable secondary market yields and investor appetite for long-term instruments, signaling a continued commitment to proactive debt management strategies.