

Government of Pakistan
Finance Division
(Debt Policy Coordination Office)

Subject: STATEMENT OF CONTINGENT LIABILITIES OF THE FEDERAL GOVERNMENT

Contingent liabilities of Pakistan are primarily guarantees issued on behalf of Public Sector Enterprises (PSEs). The sovereign guarantee is normally extended to improve financial viability of projects or activities undertaken by the government entities with significant social and economic benefits. It allows public sector companies to borrow money at lower costs or on more favourable terms and in some cases allows to fulfil the requirement where sovereign guarantee is a precondition for concessional loans from bilateral/multilateral agencies to sub-sovereign borrowers.

2. The volume of new government guarantees issued during a financial year is limited under Fiscal Responsibility and Debt Limitation Act which stipulates that the government shall not give guarantees aggregating to an amount exceeding two percent of the GDP in any financial year including those for rupee lending, rate of return, outright purchase agreements and other claims and commitments provided the renewal of existing guarantees shall be considered as issuing a new guarantee.

3. During July to September 2021, the government issued fresh/rollover guarantees/Letter of Comforts (LoCs) aggregating to Rs 64 billion or 0.1 percent of GDP. Total executed guarantees were Rs 2,805 billion while outstanding stock was Rs 2,472 billion at end September 2021 as per the following details:

Table-1: Summary of Outstanding Government Guarantees

(All figures are Rs in billion unless otherwise stated)

	Outstanding Guarantees	Total Guarantees
Domestic	1,564	1,709
External	908	1,096
Total	2,472	2,805
Memo:		
External (US\$ in million)	5,321	6.423
Exchange Rate (Pak Rupee/US Dollar)	171	171

4. Sector-Wise, Entity Wise and interest rate wise share of the guarantees at end September 2021 are as follows:

Table 2: Outstanding Position of GoP Guarantees		
	Rs in billion	% Age
Sector Wise Breakup		
Total Outstanding Stock	2,472	100%
- Power Sector	2,055	83%
- Aviation	214	9%
- Financial	66	3%
- Manufacturing	45	2%
- Oil & Gas	50	2%
- Others	42	2%
Entity Wise Breakup		
Total Outstanding Stock	2,472	100%
- PHL	915	37%
- PAEC	829	34%
- PIACL	214	9%
- Sindh Engro	69	3%
- NTDC	58	2%
- Others	388	16%
Interest Rate Type		
Total Outstanding Stock	2,472	100%
- Floating Rate	1,653	67%
- Fixed Rate	820	33%

Note: The original maturities of major portion of Guaranteed Debt Stock were 5 years and above

5. Guarantees issued against commodity operations are not included in the stipulated limit of 2 percent of GDP as the loans are secured against the underlying commodity and are essentially self-liquidating. These guarantees are issued against the commodity financing operations undertaken by TCP, PASSCO, and provincial governments. The outstanding stock of commodity operations was Rs 718 billion at end September 2021.

6. The estimates of guarantees to be issued from October 2021 till June 2022 i.e. remaining period of FY 2022 are as follows:

Table 3: Estimated Guarantees Issuance and Stock (FY22)		
(Rs in billion)		
A	Opening Guarantees Stock (01-10-2021)	2,805
B	New Guarantees to be Issued (Oct 21 - Jun 22)	493
	- Public Private Partnership (PPP)	28
	- Roosevelt Hotel	5
	- Pakistan Steel Mills (PSM)	3
	- National Transmission and Despatch Company (NTDC)	4
	- Jamshoro & Lakhra Power Plants	20
	- Pakistan International Airline (PIA)	17
	- WAPDA	50
	- National Electronics Complex of Pakistan (NECOP)	5
	- Misc	5
	Others	
	- Kamyab Pakistan Program (KPP)	40
	- Kamyab Jawan (Youth Enterprise Scheme)	10
	- Other Guarantees	306
C	Estimated Repayments against Existing Guaranteed Loans	120
D=B-C	Net Issuance of Guarantees (Oct 2021 - Jun 2022)	373
A+D	Estimated Closing Guarantees Stock (30-06-2022)	3,178
Note		
(i) Rollover/refinancing against existing allocated limits to PSEs is not included in the above information;		
(ii) External guarantees are converted into PKR at exchange rate of 171/USD as applicable at end September 2021. Therefore, valuation of external guarantees is subject to future exchange rate movements		

7. Barring the change in value of external guarantees due to exchange rate movements, Government is committed to adhere to the ceiling as specified in the table above during October 2021 till June 2022.