Annual Borrowing Plan
FY 2025-26

Debt Management Office
Finance Division
Government of Pakistan

Executive Summary

The Annual Borrowing Plan FY 2025-26 (ABP) outlines the government's plan to meet its borrowing needs for the current fiscal year. The plan is aligned with the Medium-Term Debt Management Strategy FY 2026-28 (MTDS) which incorporates macroeconomic and fiscal frameworks from the FY 2025-26 Budget. Borrowing strategies will be further operationalized through quarterly auction calendars, which are issued on monthly rolling basis, with the major reliance on domestic borrowing to finance of the fiscal deficit.

The net domestic borrowing is projected at PKR 6,395 billion. In line with the MTDS, which emphasis increasing the share of long-term fixed-rate instruments and diversifying the debt portfolio with instruments like Shariah compliant instruments and Zero-Coupon Bonds. The Domestic Financing Plan will focus on:

- Limited Net Issuance of T-Bills: Existing maturities will be refinanced.
- Focus on Long-Term Securities: Primary reliance on PIBs (PKR 4,336 billion) and Sukuks (PKR 1,895 billion).
- Zero-Coupon Bonds: Expanded issuances are planned to attract long-term institutional investors.
- Sharia-Compliant Instruments: Increase Sukuk issuances, with special focus to attract institutional investors in fixed-rate Sukuk participation.
- SBP Debt Reduction: Targeting a reduction in outstanding debt to the SBP by PKR 1,000-1,500 billion.

Net External financing is projected at USD 364 million, equivalent to PKR 106 billion. The External Financing Plan will focus on the following key strategies:

- Multilateral Loans: Multilateral inflows are expected to be the primary source of inflows (USD 1.9 billion).
- Bilateral Deposits: Rollovers are planned with China (USD 4 billion) and Saudi Arabia (USD 4 billion).
- Panda and Sustainable Bonds: Plan to raise USD 400 million through Panda and Sustainable Bonds.
- Eurobond Maturities: Eurobond aggregate USD 1.8 billion maturities are to be repaid.

Overall, Gross Financing Needs (GFN) as a percentage of GDP are projected at 21% to FY2026. This reduction will primarily be supported by fiscal consolidation transpiring into lower fiscal deficit, primary surplus, and lower debt principal and interest payments projected for FY2026.

The Annual Borrowing Plan (ABP) FY2026 aims to improve fiscal sustainability by reducing gross financing needs, diversifying funding sources and demonstrate the government's commitment to prudent debt management.

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1. Introduction

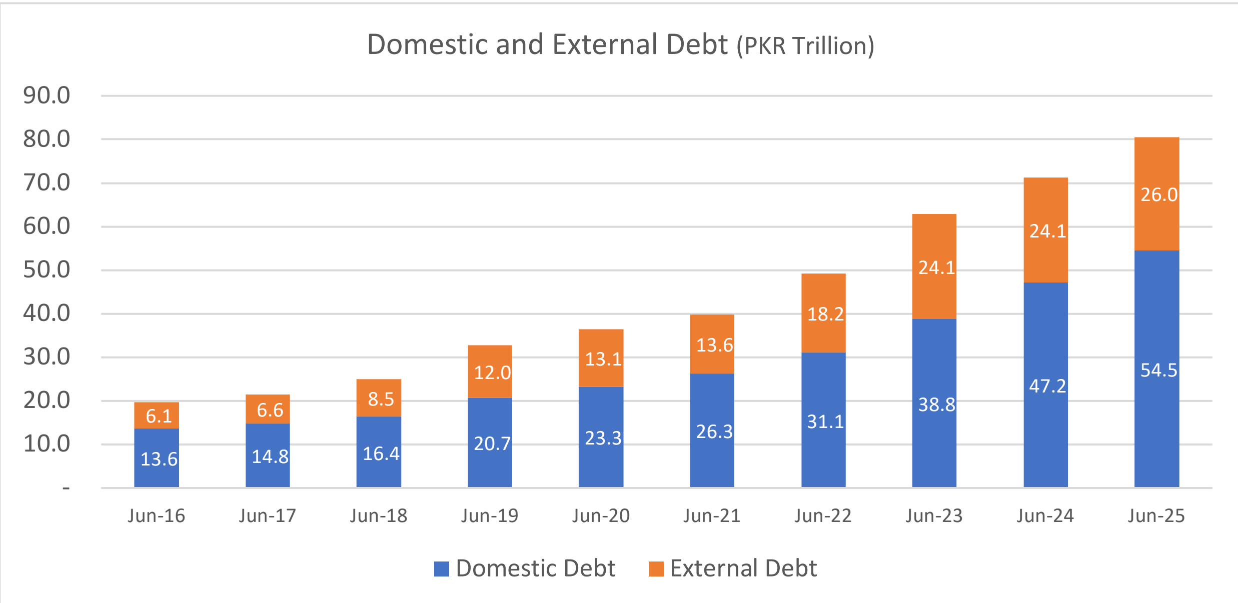
The Annual Borrowing Plan FY 2025-26 (ABP) is prepared in accordance with Section 13 (2)(j) of the Fiscal Responsibility and Debt Limitation Act, 2005, as amended from time to time, which requires the Debt Management Office (DMO) of the Ministry of Finance to prepare and publish an ABP. The ABP outlines how the government annual financing needs will be met during the fiscal year. It has been developed in line with the targets and risk indicators of the Medium-Term Debt Management Strategy FY2026-28 (MTDS) and is based on the medium term macroeconomic and fiscal frameworks presented in the FY 2025-26 Budget.

The plan will be complemented by the issuance of quarterly auction calendar (on a monthly rollover basis) which provides indication of the domestic borrowing operations of the Government over the fiscal year, the instruments to be issued and indicative timing of such borrowings.

It is crucial to note that the ABP has been prepared in consideration of the Government's forecasted financing needs using the best information available at the time of publication. The financing numbers for FY 2025-26 depend on various macroeconomic factors and other parameters and are therefore subject to potential variations influenced by domestic and international macroeconomic conditions and debt market dynamics.

Public Debt Portfolio

Total public debt was recorded at PKR 80.5 trillion at end June 2025, comprising PKR 54.5 trillion in domestic debt and PKR 26.0 trillion in external debt. The following graph shows the trend of domestic and external debt over the last ten years:



Source: State Bank of Pakistan

2. Medium-Term Debt Management Strategy (MTDS) FY2026-28

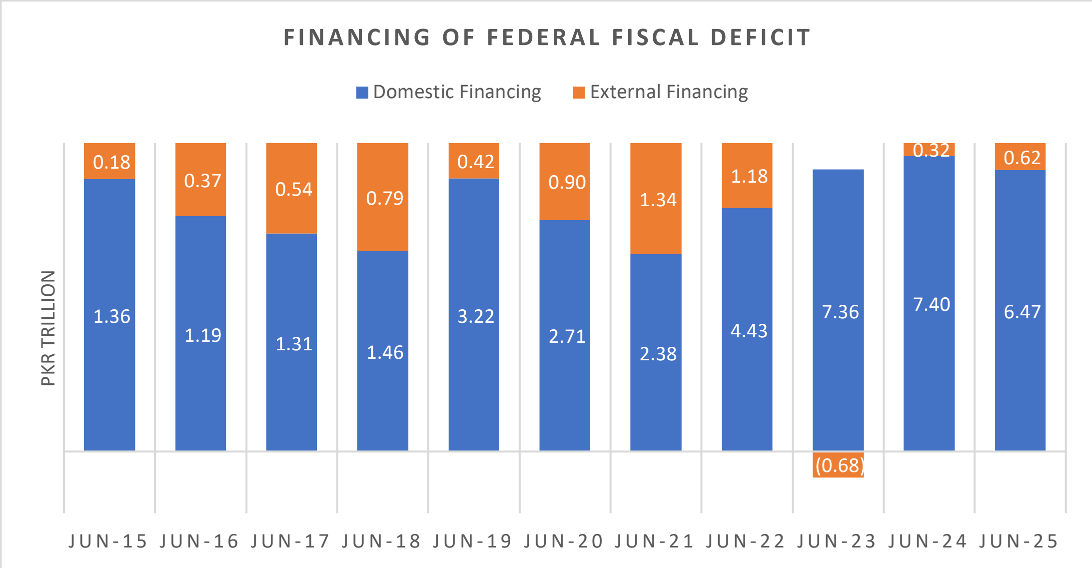
The Annual Borrowing Plan (ABP) is aligned with the newly developed MTDS for FY 2026-28. The MTDS aims to identify an optimal borrowing mix from various sources to meet the government's financing needs and payment obligations at the lowest possible cost, consistent with a prudent degree of risk. it also ensures effective public debt management to achieve and maintain sustainable debt risk indicators.

The ABP determines the appropriate combination of instruments to be issued for the implementation of the MTDS, in view of the macroeconomic outlook and prevailing market dynamics. The following table highlights the key strategic guidelines:

- **Reduce Refinancing Risk**
  - Domestic: Increasing net issuances of PIBs, focusing on fixed rate and zero-coupon bonds; Limit Net issuance of T-bills
  - External: Prioritize Long Term Concessional and Commercial financing
- **Reduce Interest Rate Risk**
  - Reduce issuance of floating-rate debt instruments to limit exposure to interest rate volatility
- **Broaden Investor Base**
  - Domestic: Increase issuance of Shariah-compliant instruments; broaden participation by non-bank investors
  - External: Issuance of Panda bonds, returning to Eurobond market, Routing
- **Manage FX Risk**
  - Maintaining an optimal domestic-to-external debt ratio.
  - Diversify funding sources across multiple currencies

3. Financing of Federal Fiscal Deficit

Public Debt has primarily been obtained to finance the federal fiscal deficit. Over the past ten fiscal years (FY2016 to FY2025), an average of 80 percent of the fiscal deficit was financed through domestic sources, while external financing accounted for around 20 percent. Regarding external financing, it is important to manage and limit its share to total public debt of a country, as it is susceptible to exchange rate fluctuations leading to higher debt servicing costs than what had been budgeted. The following graph provides an overview of the trend:



Source: Finance Division

For FY2026, maximum reliance will be on the domestic borrowing sources to finance the federal fiscal deficit. The below table shows the projected federal fiscal deficit and its financing sources.

	FY2026
Federal Fiscal Balance	**(6,501)**
o/w Primary Balance	1,706
o/w Interest Expense	(8,207)
External	*(1,009)*
Domestic	*(7,198)*
Financing	**6,501**
External	106
Domestic	6,395

Source: Finance Division, Ministry of Economic Affairs, and State Bank of Pakistan

4. Domestic Financing Plan 2025-26

In line with the MTDS, the domestic component of the financing will be met through the following guidelines:

Limited Net issuance through T-Bills: The government plans limited net issuance of T-Bills during FY2026. Existing maturities of 3-month, 6-month, and 12-month T-Bills will be refinanced.

Issuance of Long-Term Government Securities: To increase both the average time to maturity (ATM) and share of fixed rate instruments in domestic debt portfolio most financing of federal fiscal deficit will be carried out through issuance of long-term government securities i.e., Pakistan Investment Bonds & Government Ijara Sukuk.

Fixed-Rate Instruments: Net issuance in the Fixed rate PIBs will be increased, contributing more than 50% of new issuances. Floating rate issuances will be limited to the 10-Year tenor only.

Zero-Coupon Bonds: As part of our efforts to diversify the investor-base through wide range of instruments in-line with government's strategic objectives and market's appetite, long-dated Zero-coupon bonds have been introduced, in addition to the existing 2-Year Zero coupon bond. Demand from long-term institutional investors, is expected to support the new issuance. The 2-year zero-coupon bond has attracted good interest from both commercial banks and non-bank institutional investors, and the plan is to continue using these instruments to optimize overall debt profile.

Sharia-Compliant Instruments: The government will continue to maximize sukuk issuances and explore structures such as Ijarah, Wakalah and Murabaha to further increase the composition of shariah compliant instruments in overall debt, a Zero-Coupon equivalent instrument with 10-year tenor has also been introduced, to facilitate the development of the market for long-term investors interested in fixed rate shariah compliant instruments. Furthermore, proposals for efficient utilization of assets, including the development of Asset Light Sukuk (ALS) structures are being evaluated and implementation is expected to begin this year in consultation with Islamic Joint Financial Advisor banks. Government also plans to engage all Stakeholders to develop the Shariah Compliant Yield Curve.

Retirement of SBP debt: In FY2024-25 Government has retired PKR 500 billion of SBP Debt and is committed to further reducing it t by effectively using SBP Profits and available fiscal space to reduce maturity concentration risk arising from SBP held debt in CY-2029. The Government aims to reduce outstanding SBP Debt by PKR 1000-1500 billion during current fiscal year through efficient cash reserve management.

National Saving Schemes (NSS): The Central Directorate of National Savings (CDNS) continues in promoting financial inclusion by tapping the retail investors segment. The government plans to work towards creating an enabling environment for CDNS, while reviewing the pricing of product to ensure cost effectiveness.

Liability Management Operations (LMO): In FY 2024-25, a landmark buyback operation was executed to lower overall borrowing costs, mitigate concentration, rollover risks, and to enhance liquidity in the secondary markets. Going forward, the Government will continue to optimize the debt portfolio by effectively utilizing LMOs as a tool to manage market liquidity, streamline cash flows, and reduce the overall debt burden. The Government remains committed to prudent debt management through the continued use of buyback and exchange operations.

5. External Debt

Multilateral loans: The government remains committed to completing all actions linked to multilateral program loans scheduled to be disbursed during the year. It also aims to fulfill all agreed Performance and Policy Actions (PPAs) with development partners.

Bilateral Deposits: Government plans to roll-over the bilateral deposits of USD 4.0 billion from China and USD 5 billion from Saudia Arabia.

Foreign Commercial Bank Loans: Plans include to refinancing existing foreign commercial bank loans and securing new commercial financing to meet external funding requirements.

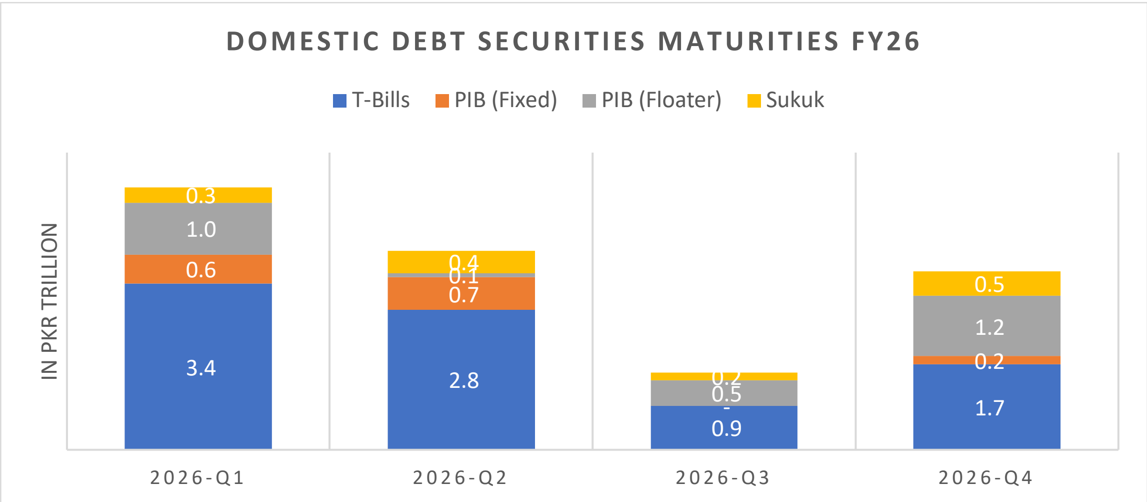
International Capital Markets: The Government aims to raise around USD 400 million through the issuance of Panda Bonds in the Chinese Capital Markets and /or Sustainable Bonds in the international capital markets. Additionally, USD 1.8 billion in Eurobonds will mature in FY2026.

Foreign portfolio investment in government securities, Naya Pakistan Certificate (NPC), Islamic Naya Pakistan Certificates (INPC). The Government will remain active for providing conducive investment environment for non-residents to invest in government securities, NPC, and INPC. The availability of underlying assets is being ensured. for smooth issuance of INPC.

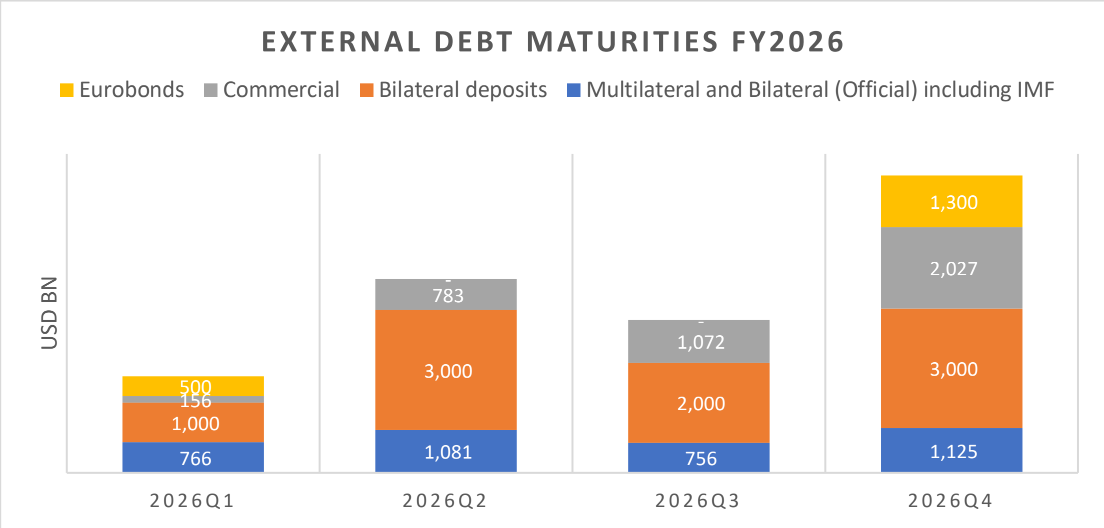
Coordinating with Sovereign Credit Rating Agencies: To ensure transparency and enhance coordination, the Debt Management Office (DMO) will continue to address inquiries from sovereign credit rating agencies on matters related to public debt, fiscal deficit financing, borrowing operations, and other relevant areas, in collaboration with concerned government entities. This approach aims to effectively manage and communicate the government's creditworthiness.

6. Public Debt Maturities FY2026

Following graphs describe the domestic and external debt maturities during FY2026:



Source: Finance Division, State Bank of Pakistan



Source: Ministry of Economic Affairs and State Bank of Pakistan

7. Gross Financing Needs FY 2026

Reducing Gross Financing Needs (GFN)to manageable levels is an important aspect of debt management. To this extent, through fiscal consolidation measures in terms of revenue mobilization and expenditure rationalization, the government aims to bring down GFN and strengthen Pakistan's debt sustainability. It is expected that GFN as percentage of GDP will improve by approximately 7 percentage points (27.9% in FY2025 to 20.5% in FY2026). During FY 2026, domestic debt principal repayments are estimated to decline by PKR 7.2 trillion and interest payments by PKR 1.50 trillion. In addition, a primary surplus of PKR 1.71 trillion is expected, further contributing in reduction of gross financing needs as a percentage of GDP.

Gross Financing Needs FY 2025-26			
		FY 2026	
		Amount	***% of GDP***
I + II	**Gross Financing Needs**	**27,601**	**21%**
I	Federal Fiscal Deficit	6,501	5%
II	Debt Maturities	21,100	16%
	Domestic	*15,628*	12%
	External	*5,472*	4%

Source: Finance Division, Ministry of Economic Affairs, and State Bank of Pakistan

8. Annual Borrowing Plan FY2026

As discussed above, the fiscal deficit will be primarily be financed through domestic borrowing. Within domestic borrowing, a higher net issuance of fixed-rate, medium-to-long term PIBs and Sukuks is planned. For external financing, the primary reliance will remain on multilateral flows and, importantly, the FY2026 will see the repayment of two Eurobonds worth USD 1.8 bn.

The table below describes the Annual Borrowing Plan for FY2026:

External Net flow (USD Mn)	364
Multilateral	1,872
Bilateral	(383)
Commercial banks	214
Bonds	(1,400)
Naya Pakistan Certificate / Other	(37)
IMF	98
External Inflow (USD Mn)	19,923
Multilateral	5,056
Bilateral	10,343
Commercial banks	3,100
Bonds	400
Naya Pakistan Certificate / Other	614
IMF (RSF)	410
External Outflow (USD Mn)	(19,559)
Multilateral	(3,183)
Bilateral	(10,726)
Commercial banks	(2,886)
Bonds	(1,800)
Naya Pakistan Certificate / Other	(651)
IMF	(312)
Domestic Net flows (PKR Bn)	6,395
Treasury Bills	-
Pakistan Investment Bonds	4,336
Government Ijara Sukuk	1,895
National Saving Schemes / Other	164
Domestic Inflow (PKR Bn)	22,023
Treasury Bills	8,731
Pakistan Investment Bonds	8,595
Government Ijara Sukuk	3,312
National Saving Schemes	1,385
Domestic Outflow (PKR Bn)	15,628
Treasury Bills	8,731
Pakistan Investment Bonds	4,259
Government Ijara Sukuk	1,417
National Saving Schemes	1,221

Source: Finance Division, Ministry of Economic Affairs, and State Bank of Pakistan. PKR/USD exchange rate for FY2026 is 290.

9. Conclusion

The Annual Borrowing Plan FY2026 represents a well-structured debt management strategy with clear improvements in sustainability metrics. The significant reduction in gross financing needs, combined with diversified funding sources and improved debt-to-GDP ratios, indicates positive fiscal trajectory. Successful implementation will require careful analysis of macroeconomic and geo political environment as well as continued fiscal discipline to achieve the projected outcomes.

Throughout the year, the Debt Management office (DMO) will remain actively engaged with the financial market's participants providing updates on debt management and seeking feedback. The DMO will prioritize efforts for promotion of Sharia-compliant instruments and encourage more participation from non-bank sector, especially pension funds, insurance companies, asset management companies and retail investors. Furthermore, auction targets will be in-line with the borrowing requirements, the debt management strategy, and market appetite, and will be communicated through regularly published auction calendars.

10. Annexures

Pakistan Investment Bonds (PIB) Issuance Schedule

Month	2-Year (ZC)	3-Year	5-Year	10-Year	15-Year (ZC)	Total Monthly
Jul-25	100	50	50	50	50	**300**
Aug-25	100	100	100	50	50	**400**
Sep-25	100	100	100	50	50	**400**
Oct-25	100	100	100	50	50	**400**
Nov-25	100	100	100	50	50	**400**
Dec-25	100	100	100	50	50	**400**
Jan-26	100	100	100	50	50	**400**
Feb-26	100	100	100	50	50	**400**
Mar-26	100	100	100	50	50	**400**
Apr-26	100	100	100	50	50	**400**
May-26	100	100	100	50	50	**400**
Jun-26	100	100	100	50	50	**400**
TOTAL	**1,200**	**1,150**	**1,150**	**600**	**600**	**4,700**

Sukuk/Islamic Bonds Issuance Plan:

Month	1Y GIS	5Y VRR	10Y VRR	3Y FRR	5Y FRR	10Y FRR	Bai Maujjal	Total
Jul-25	50	25	50	25	25	25	180	**380**
Aug-25	25	15	15	15	15	15	0	**100**
Sep-25	50	25	50	25	25	25	35	**235**
Oct-25	25	15	15	15	15	15	65	**165**
Nov-25	50	25	50	25	25	25	105	**305**
Dec-25	50	25	50	25	25	25	250	**450**
Jan-26	50	25	50	25	25	25	125	**325**
Feb-26	25	15	15	15	15	15	125	**225**
Mar-26	25	15	15	15	15	15	125	**225**
Apr-26	25	15	15	15	15	15	50	**150**
May-26	25	15	15	15	15	15	35	**135**
Jun-26	75	50	100	25	25	25	400	**700**