



MEDIUM-TERM DEBT MANAGEMENT STRATEGY FY 2026-2028

Debt Management Office

Finance Division, Government of Pakistan

MTDS - OBJECTIVES & SCOPE



Lower Cost & Risk

- Meet government's financing needs and payment obligations at the lowest possible cost, consistent with a prudent degree of risk

Debt Sustainability

- Effective public debt management to achieve and maintain sustainable debt levels

Debt Market Development

- To support the development of deep, active, and liquid domestic markets for Government securities through a wider product offering to a diverse investor base

Debt statistics reflect Federal Government's contracted debt
(including on-lent debt)

Debt Stock & Risk Indicators of Total Public Debt Portfolio - FY2025*

Risk Indicators		External Debt	Domestic Debt	Total Debt
Amount (PKR Bn)		25,201	53,500	78,701
Amount (USD Bn)		88.9	189	277.6
Public Debt (% of GDP)		22.0	46.6	68.6
Cost Of Debt	Interest Payment (% of GDP)	0.78	6.97	7.75
	Weighted avg. Interest Rate (%)	4.14	15.82	11.9
Refinancing Risk	ATM (Years)	6.1	3.8	4.5
Interest Rate Risk	ATR (Years)	4.5	1.2	2.3
FX Risk	External Debt (% of Total Debt)	-	-	32.2

*FY25 numbers are provisional. USD amount converted to PKR @ 283.5

PREVIOUS MTDS PERFORMANCE



MTDS FY2023-26 Scorecard – Actual vs Targets

Risk Indicators		Indicative Benchmarks	FY2025 Targets	FY2025 Actual*
Refinancing Risk	Domestic Debt ATM (Years)	> 3.0	3.2	3.8
	External Debt ATM (Years)	> 6.0	6.2	6.1
Interest Rate Risk	Share of Fixed Rate Debt in Government Securities Portfolio	> 20%	24%	20%
Currency Risk	Share of External Debt in Total Public Debt	< 40%	-	32%
Diversification	Share of Shariah-compliant Instruments in Government Securities Portfolio	12.0%	12.0%	12.7%

*FY25 numbers are provisional.

Core Sovereign Ratings Concerns



01

Elevated debt levels

High debt and interest burden

Refinancing Risks

High Rollover Risks and GFN



02



03

Reliance on Official Partners' financing

Constrained funding flexibility

FX Risk

Exchange rate shocks



04

MTDS FY26-28 Alignment



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Commitment to a downward Debt growth trajectory:

- From Fiscal point of view, commitment to generate sustained primary surpluses

Maturity profile improvement:

- Increase issuance of long-term instruments
- Broadening of domestic investor base, inclusion of institutional and retail investors
- Limited issuance of short-term instruments

Diversification of external financing sources:

- Gradual re-entry into international capital markets
- Panda Bond program
- Innovative instruments (sustainable bonds etc.)
- Regular global investor engagement

Stable & sustainable external debt trajectory:

- Prioritization of concessional and long-tenor external financing
- Explore FX hedging tools

MTDS FY2026-28 Targets



Goals

Reduce Refinancing Risk



Strategies

Domestic: Increasing net issuances of PIBs, fixed rate and zero-coupon bonds; Limited Net issuance of T-bills
External: Prioritize L.T Concessional & Commercial financing

2028 Targets

Domestic ATM > 4.25 yrs
External ATM > 6.2 years

Reduce Interest Rate Risk



Reduce issuance of floating-rate debt instruments to limit exposure to interest rate volatility

Share of domestic fixed rate debt in total domestic securities > 30%
Domestic ATR > 2 yrs

Broaden Investor Base



Domestic: Increase issuance of Shariah-compliant instruments; broaden participation by non-bank investors
External: Panda bonds; returning to Eurobond market, Routing FPI into the domestic bond market.

Share of Shariah-compliant instruments > 20% of total domestic govt. securities

Manage FX Risk



Maintaining the ratio of domestic vs. external debt.
Diversify funding sources in different currencies

External debt % of total debt < 40%

EFFECTIVE DEBT MANAGEMENT - PROJECTIONS



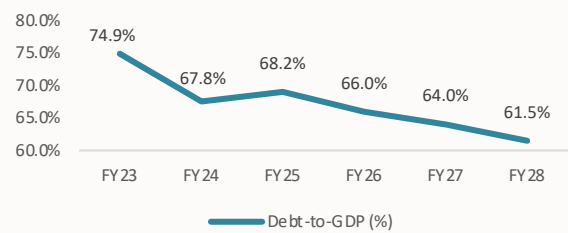
Sustainable Debt Path

Improved Debt Profile

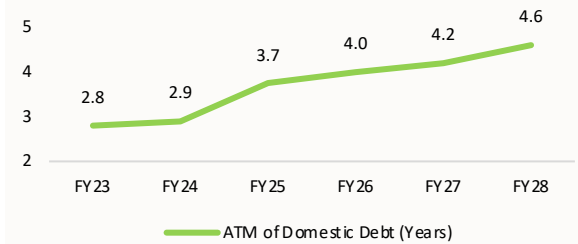
Stronger Debt Service Indicators

Reduced External Vulnerabilities

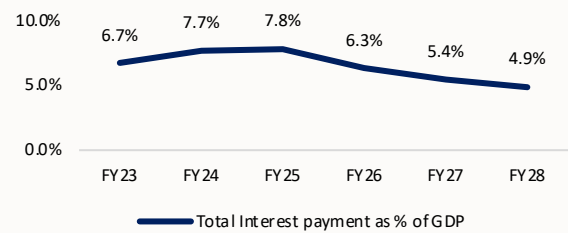
Improving Debt Sustainability



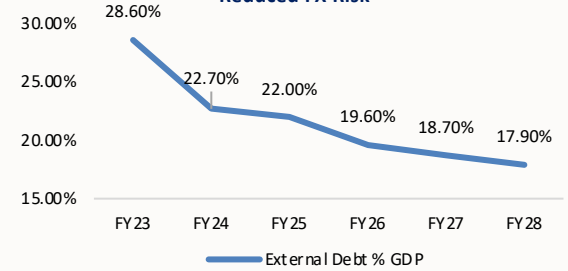
Improved Debt Profile



Relief in Debt Servicing Burden



Reduced FX Risk

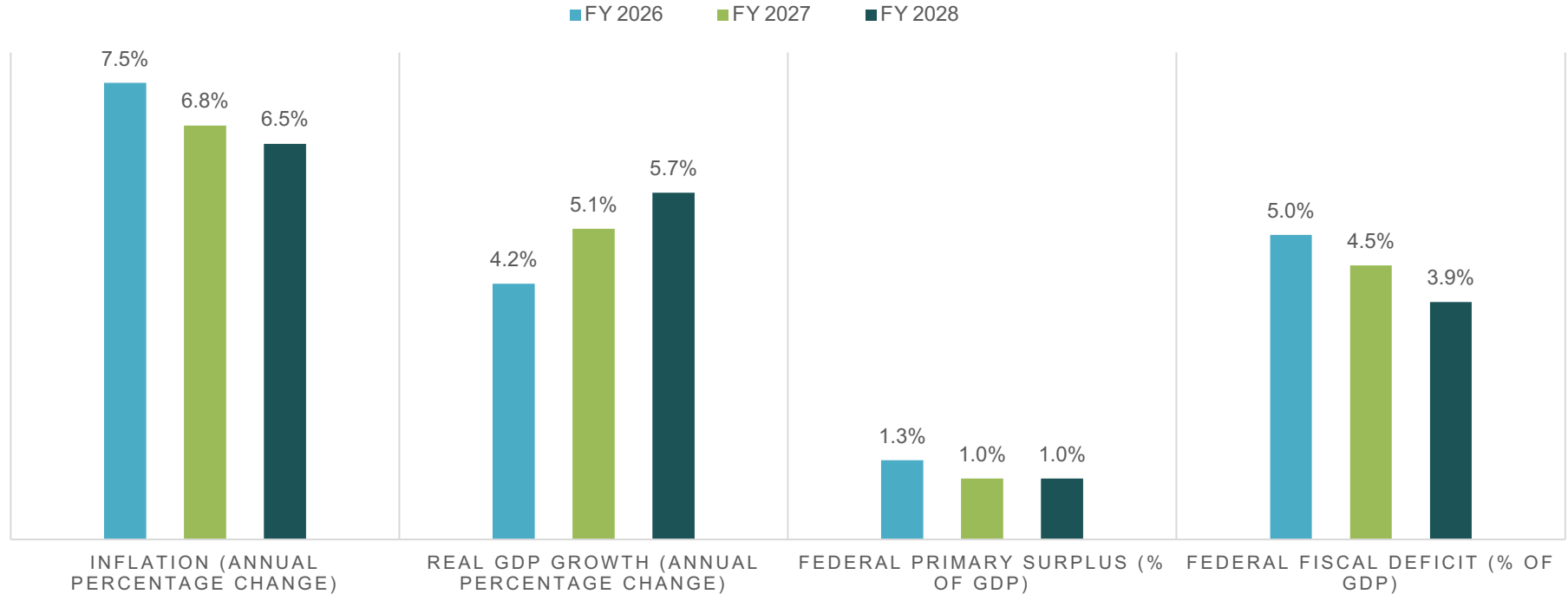


Source: MOF; FY25 provisional; FY26 onwards projections.

MACROECONOMIC ASSUMPTIONS FOR MTDS FY2026-28



PROJECTED MACROECONOMIC INDICATORS



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