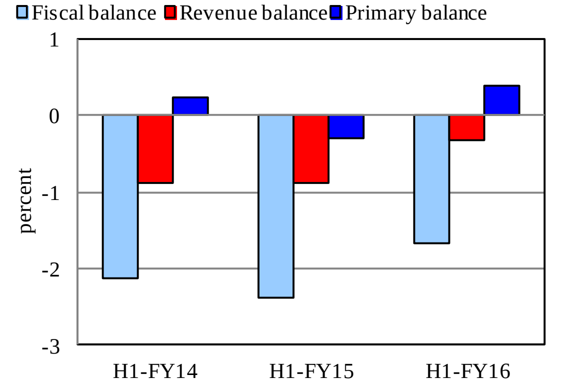
4 Fiscal Policy and Public Debt

4.1 Overview

The overall fiscal position strengthened during H1-FY16 on the back of important policy measures for both the revenue mobilization and expenditure management. The budget deficit was reduced to 1.7 percent of GDP during this period, from 2.4 percent in H1-FY15 **(Figure 4.1)**. Importantly, the revenue balance posted an improvement of 0.6 percentage points during the same period, whereas the primary balance turned positive (0.4 percent of GDP).

Figure 4.1: Fiscal Balance Indicators (percent of GDP)



Source: Ministry of Finance

In response to a weak fiscal outcome during Q1-FY16 – especially in terms of revenue collection, the federal government announced new tax measures during Q2-FY16, including additional customs and regulatory duties on certain items, as well as an increase in FED on cigarettes. In the meantime, withholding tax on all financial transactions for non-filers was continued in a bid to promote tax filing culture in the country.[1] If this momentum of resource mobilization is carried on in the second half of the year as well, the FBR tax-to-GDP ratio, which is currently hovering around 9 percent, may increase.[2]

[1] However, the impact of this particular tax in terms of financial exclusion and growth of informal sector cannot be ruled out. The increase in the informal economy, in turn, has negative implications for tax collection in the long run.

[2] If FBR tax collection shows a growth rate higher than the nominal GDP growth during FY16, then FBR tax-to-GDP ratio will be higher than last year. This can happen if FBR maintains its current growth rate of 18.2 percent for the whole year and nominal GDP growth rate does not exceed 12 percent, as projected in the Annual Plan FY16.

On the expenditure front, the government slashed its non-development spending (excluding interest payments), which reinforced fiscal consolidation during the first half of FY16.[3] Although debt servicing remained higher in H1-FY16 as compared to the corresponding period last year, current expenditure did not post any significant rise. Moreover, net lending to PSEs remained negative. These factors helped the government ensure continuation of broad-based infrastructure projects; provided room for spending on special areas;[4] and helped settle down temporarily displaced persons (TDPs).

Table 4.1: Summary of Fiscal Operations
billion rupees

		Actual		% Growth	
	Budget FY16	**H1-FY15**	**H1-FY16**	**H1-FY15**	**H1-FY16**
A. Total revenue	4,712.0*	1,749.1	2,004.9	5.0	14.6
Tax revenue	3,729.5	1,361.1	1,639.1	16.1	20.4
Non-tax revenue	958.5	388.0	365.9	-21.4	-5.7
B. Total expenditure	6,016.6	2,400.9	2,520.1	8.9	5.0
Current	4,786.1	1,989.0	2,104.4	5.4	5.8
Interest payments	*1,279.9*	*572.7*	*632.4*	-4.2	10.4
Development	1,234.9	321.4	426.2	32.0	32.6
Net lending	-4.4	9.6	-1.8		
C. Statistical discrepancy	0.0	80.9	-8.6		
Fiscal balance (A-B-C)	-1,304.7	-651.8	-515.2	20.7	-21.0
Revenue balance	-74.1	-239.9	-99.4		
Primary balance	-24.8	-79.1	117.3		
Financing	1,304.7	651.8	515.2		
External sources	321.7	141.5	203.2		
Domestic sources	982.9	510.3	311.9		
Banks	283.4	199.0	183.3		
Non-bank	649.5	296.1	128.7		
Privatization	50.0	15.2	0.0		
percent of GDP					
Total revenue	15.4	6.4	6.5		
Tax revenue	12.2	5.0	5.3		
Total expenditure	19.6	8.8	8.2		
Current	15.6	7.3	6.9		
Development	4.0	1.2	1.4		
Fiscal balance	-4.3	-2.4	-1.7		
Revenue balance	-0.2	-0.9	-0.3		
Primary balance	-0.1	-0.3	0.4		

* Includes grant of Rs 24 billion
Source: Ministry of Finance

[3] Non-development expenditure (excluding interest payments) was recorded at Rs 1,461.4 billion during H1-FY16, as compared to Rs 1,506.8 billion during H1-FY15.
[4] These areas include AJK, Gilgit-Baltistan, and FATA.

The improved fiscal balance reduced the overall financing needs as well. Of the deficit of Rs 515.2 billion, the government financed Rs 203.2 billion from external resources, which is 43.6 percent higher than last year. This helped the government significantly reduce its reliance on domestic sources (**Table 4.1**).

4.2 Revenues

Total revenues recorded a growth of 14.6 percent and reached Rs 2,004.9 billion during H1-FY16, against a 5.0 percent rise witnessed during the comparable period last year. This strong growth came primarily from a significant 20.4 percent increase in tax revenues (**Table 4.1**). Main sources of revenue were taxes on income and profits (Rs 540.8 billion), goods and services (Rs 667.9 billion), trade (Rs 179.4 billion), and energy (Rs 130.1 billion). The federal government collected almost 92 percent of total taxes during H1-FY16. However, revenue collection from non-tax resources remained slightly lower than last year.

<u>FBR tax collection</u>

The federal government announced additional tax measures during the second quarter, which helped FBR to collect Rs 1,384.9 billion during the first half of the year – showing a growth of 18.2 percent (**Table 4.2**). These additional measures included:

- A 1 percent additional customs duty on auto industry and goods specified in the First Schedule of Customs Act, 1969.[5] This resulted in an increase in existing duty on the import of tractors, non-CNG buses, auto-rickshaws (except four-stroke ones), and other vehicles. This policy was also applicable on motorcycle spare parts;[6]
- Additional regulatory duty on 400 imported household consumer goods with varying rates.[7] These included a wide range of food products such as poultry, fish, milk products and fruits, along with personal care items like cosmetics and shampoos;
- Up to 60 percent regulatory duty on the import of luxury and sports vehicles;**[8]** and
- Additional Federal Excise Duty (FED) on cigarettes.[9]

[5] Federal Board of Revenue vide SRO 1190(I)/2015 and SRO 1178(I)/2015.
[6] The duty was earlier withdrawn for one year.
[7] Federal Board of Revenue vide SRO 1177(I)/2015.
[8] Federal Board of Revenue vide SRO 1190(I)/2015.
[9] For cigarettes with price exceeding Rs 3,600 per thousand sticks, the duty was increased to Rs 3,155 from Rs 3,030. The duty on low-value cigarettes (priced below Rs 3,600 per thousand sticks), was raised to Rs 1,420 from Rs 1,320 (source: Federal Board of Revenue vide SRO 1181(I)/2015).

Table 4.2: FBR Tax Collection
billion rupees

		Collection		% Growth	
	Budget FY16	**H1-FY15**	**H1-FY16**	**H1-FY15**	**H1-FY16**
Direct taxes	1,347.9	458.9	540.8	20.1	17.8
Indirect taxes	1,755.8	713.0	844.1	9.8	18.4
Customs duty	299.1	135.3	179.4	22.9	32.6
Sales tax	1,250.3	513.8	591.0	6.7	15.0
FED	206.4	64.0	73.7	11.0	15.2
Total taxes	3,103.7	1,171.9	1,384.9	13.7	18.2

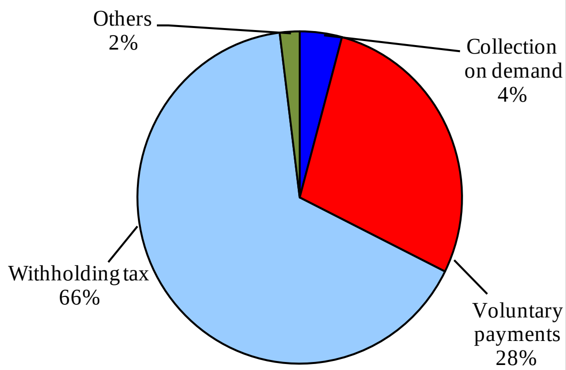
Source: Federal Board of Revenue

Apart from these measures, FBR also addressed tax compliance issues and made efforts to bring more taxpayers into the tax net. In this regard, it introduced a simplified four-year Voluntary Tax Compliance Scheme (VTCS) for traders, allowing them to file single-page tax returns. [10]

Direct taxes

FBR collected Rs 540.8 billion through direct taxes during H1-FY16, which was Rs 82 billion higher than the revenue collected during H1-FY15 (**Table 4.2**). Most of this collection came from withholding taxes (Rs 376.8 billion), while voluntary payments and collection on demand contributed Rs 161.5 billion and Rs 24.1 billion respectively. As shown in **Figure 4.2**, two-third of the total direct taxes came from withholding taxes, most of which are applied on economic transactions. This introduces an element of regressivity in the direct tax

Figure 4.2: Break-up of Direct Taxes during H1-FY16



Source: Federal Board of Revenue

[10] This scheme was especially for traders, having working capital less than Rs 50 million during FY15, who were outside the tax net. Traders could come into the tax net by paying only 1 percent of their working capital for tax year 2015 and filing a simplified one page return. For subsequent three years, a trader would have to pay 0.2 percent of its turnover with conditions that: (i) for tax year 2016, he would declare turnover at least three times of the working capital declared during tax year 2015; and (ii) for tax years 2017 and 2018, he would declare turnover on which tax paid is at least twenty five percent more than the tax paid for the preceding tax year (for details see FBR website).

system, which should be reduced by making more efforts on the part of tax authority and increasing documentation of the economy.

Indirect taxes

Indirect taxes posted a growth of 18.4 percent YoY and reached Rs 844.1 billion during H1-FY16. Most of these (70 percent) were generated through sales tax. Within sales tax receipts, major part came from POL products (Rs 216.3 billion), energy (Rs 27.7 billion) and iron & steel (Rs 22.7 billion).

Collection via customs duty showed a growth of more than 30 percent on the back of additional duties introduced recently, as mentioned above. Similarly, levy of additional FED on cigarettes led to a tax collection of Rs 32.1 billion in H1-FY16, compared with Rs 27.9 billion in the same period last year.

Non-tax revenues

Non-tax resources contributed 18.2 percent to the total revenues mobilized during H1-FY16. Overall non-tax revenues were recorded at Rs 365.9 billion during H1-FY16; this was Rs 22.1 billion lower than the level observed during H1-FY15 (**Table 4.3**). SBP profits added Rs 122.6 billion, while defence and royalties on gas & oil contributed Rs 78.2 billion and Rs 31.5 billion to the national exchequer.

Table 4.3: Non-tax Revenues

billion rupees

	Budget	Actual	
	FY16	**H1-FY15**	**H1-FY16**
Mark-up (PSEs & others)	69.2	4.1	2.2
Dividends	88.1	39.5	31.4
SBP profits	280.0	137.5	122.6
Defence (incl. CSF)	154.0	80.2	78.2
Royalties on gas & oil	58.6	40.9	31.5
Passport & other fees	25.0	7.2	6.2
Discount retained on crude oil	21.0	5.4	4.2
Windfall levy against crude oil	18.0	8.7	1.4
Total non-tax revenue	**958.5**	**388.0**	**365.9**

Source: Ministry of Finance

With the fall in crude oil prices, windfall levy as well as discount retained against crude oil also dropped down to only Rs 5.6 billion during H1-FY16, from Rs 14.1 billion during the corresponding period last year.

4.3 Expenditures

Consolidated fiscal spending dropped from 8.8 percent of GDP in H1-FY15 to 8.2 percent during H1-FY16. This was primarily on account of the cut in current spending from 7.3 percent of GDP to 6.9 percent during the period under review (**Table 4.1**). Furthermore, net lending to PSEs remained negative in the first half of FY16, providing space to maintain the momentum of ongoing development projects. This increased the share of development expenditures in total expenditures from 13.9 percent in H1-FY15 to 16.9 percent in H1-FY16.

Within current expenditure, provincial current expenses were the highest, followed by interest payments by the federal government, while defence expenditures were lower than last year (**Table 4.4**). The higher growth in provincial current expenditure reflects the provinces' increasingly higher responsibilities of running government affairs after the 18th Amendment.

On the development front, spending remained broad-based, with a special focus on infrastructure-building and power generation. In this regard, Rs 31.3 billion were released for the construction of roads and highways, Rs 55.8 billion for power projects, and Rs 7.8 billion for the development of railways. Apart from this, Rs 17.4 billion were spent on projects in AJK, Gilgit-Baltistan and FATA; while Rs 59.1 billion were released for temporarily displaced persons and Rs 20 billion for community development programs.[11]

Table 4.4: Analysis of Fiscal Spending during H1
billion rupees

	Actual		% Growth	
	FY15	**FY16**	**FY15**	**FY16**
Current expenditures	**1,989.0**	**2,104.4**	**5.4**	**5.8**
Federal	1,385.7	1,436.7	2.4	3.7
Interest payment	572.7	632.4	-4.2	10.4
Defence	329.6	303.3	11.6	-8.0
Public order and safety	43.8	47.0	12.9	7.3
Others	439.6	454.0	4.4	3.3
Provincial	603.3	667.7	12.8	10.7
Development expenditures	**321.4**	**426.2**	**32.0**	**32.6**
PSDP	269.4	378.0	26.7	40.3
Federal	125.5	155.8	5.8	24.2
Provincial	143.9	222.1	53.2	54.4
Others (incl. BISP)	52.0	48.2	68.3	-7.2
Net lending (to PSEs)	**9.6**	**-1.8**	**-88.4**	**-119.0**
Total expenditure*	**2,320.0**	**2,528.7**	**4.8**	**9.0**

*Excluding statistical discrepancy
Source: Ministry of Finance

4.4 Provincial fiscal operations

The consolidated provincial surplus reached Rs 208.6 billion in H1-FY16; this is around 70 percent of the full-year target of Rs 297 billion (**Table 4.5**). Sindh provided the highest surplus of Rs 88.9 billion, followed by KPK with Rs 61.9 billion, Punjab Rs 36.0 billion and Balochistan Rs 21.7 billion.

Total provincial expenditures grew at a steady 19.0 percent during H1-FY16 – in line with the growth of 18.6 percent witnessed during the same period last year. Owing to a robust growth of 54.4 percent in provincial development spending, the provinces' share in consolidated expenditures rose marginally from 32.5 percent in H1-FY15 to 36 percent in H1-FY16.

[11] Source: PSDP 2015-16, Status of releases as on 31-12-2015, Ministry of Planning, Development & Reform.

Table 4.5: Provincial Fiscal Operations during H1
billion rupees

	Punjab		Sindh		KPK		Balochistan		All provinces	
	FY15	FY16	FY15	FY16	FY15	FY16	FY15	FY16	FY15	FY16
A. Total revenue	412.5	496.8	249.8	293.0	141.4	165.0	93.2	96.2	897.0	1051.0
Share in federal revenue	336.0	415.6	189.7	227.1	118.9	140.0	79.1	85.4	723.7	868.1
Provincial revenues	56.8	76.4	45.3	56.4	14.9	17.0	2.6	3.8	119.6	153.6
Tax revenues	46.0	60.7	42.3	53.9	5.5	6.0	1.2	1.8	95.0	122.4
Property taxes	3.9	4.3	1.3	0.5	0.2	0.3	0.0	0.0	5.4	5.0
GST on services	-	25.7	-	28.4	-	3.5	-	0.9	-	58.4
Excise duties	0.8	1.2	1.7	1.8	0.0	0.0	0.2	0.2	2.7	3.1
Stamp duties	9.4	11.2	2.9	3.3	0.3	0.3	0.2	0.1	12.8	15.0
Motor vehicle tax	4.6	5.8	1.8	2.3	0.4	0.6	0.3	0.3	7.1	9.0
Other	27.4	12.7	34.6	17.6	4.5	1.3	0.6	0.2	67.0	31.8
Non-tax revenues	10.8	15.7	3.0	2.5	9.5	10.9	1.4	2.1	24.6	31.3
Federal loans & transfers	19.7	4.7	14.9	9.5	7.5	8.1	11.5	6.9	53.6	29.2
B. Total expenditure	351.4	453.8	208.5	215.6	125.5	148.6	68.3	77.8	753.7	895.8
Current	274.5	312.4	170.6	178.7	104.8	116.5	59.8	66.0	609.8	673.7
Development	76.9	141.4	37.9	36.8	20.6	32.1	8.5	11.8	143.9	222.1
Gap (A-B)	61.1	43.0	41.4	77.4	15.9	16.4	24.9	18.4	143.3	155.2
Financing* (Overall balance)	-33.8	-36.0	-37.7	-88.9	-17.9	-61.9	-20.9	-21.7	-110.4	-208.6

* Negative sign in financing means surplus.
Source: Ministry of Finance

Table 4.6a: Pakistan's Public Debt Profile
billion rupees

	Stock		Share in total		Flow			
							FY16	
	Jun-15	Dec-15	Jun-15	Dec-15	H1-FY15	H1-FY16	Q1	Q2
Public debt	17,757.7	18,855.4	100.0	100.0	578.4	1,097.7	768.8	328.9
Public domestic debt	12,192.5	12,879.6	68.7	68.3	602.7	687.1	522.1	165.0
Public external debt	5,565.2	5,975.8	31.3	31.7	-24.4	410.6	246.7	163.9
Govt. external debt	4,770.0	5,072.9	26.9	26.9	-80.6	303.0	182.7	120.3
Debt from the IMF	417.6	523.1	2.4	2.8	60.0	105.5	57.7	47.8
External liabilities	377.6	379.7	2.1	2.0	-3.8	2.2	6.3	-4.1
Memorandum items:								
Public debt (MoF definition)*	17,380.2	18,475.7			582.2	1,095.5	762.5	333.0

*MoF does not include external liabilities in its definition of public debt, while SBP includes these liabilities which are: central bank deposits, swaps, allocation of SDR and non-resident local currency deposits with central bank.
Source: State Bank of Pakistan

However, resource mobilization remained sluggish at the provincial level. Of the Rs 1,051 billion in provincial revenues, provinces generated Rs 153.6 billion from their own resources, while the rest came from federal transfers and loans. Although the 18th Amendment authorized provincial governments to mobilize resources by taxing services and agriculture sectors, the provinces have yet to exploit this potential.

4.5 Public debt

Pakistan's public debt stock increased from Rs 17.8 trillion as on end-June 2015 to Rs 18.9 trillion by end-December 2015, which was 61.5 percent of GDP (**Table 4.6a**). While a major part of this debt is domestic, the external debt also increased significantly in H1-FY16. However, despite this increase, the external debt-to-GDP ratio continued to decline (**Table 4.6b**). It may be noted that the increase in external debt was coincided with a build-up of the country's FX reserves, which in turn, bodes well for debt servicing capacity of the country.

Table 4.6b: Pakistan's Public Debt Profile (key indicators)
percent

	FY10	FY11	FY12	FY13	FY14	FY15	H1-FY15	H1-FY16
Indebtedness indicators								
PD/GDP	62.1	60.1	64.5	65.2	65.1	64.8	61.7	61.5
DD/GDP	31.3	32.9	38.1	42.5	43.5	44.5	42.0	42.0
ED/GDP	30.8	27.2	26.4	22.7	21.6	20.3	19.7	19.5
Short-term ED/ED	1.6	1.1	0.7	0.5	1.3	1.9	1.8	2.2
Debt servicing indicators								
Int. payment on DD/TR	27.8	28.0	32.0	30.9	29.5	30.7	30.0	28.8
Int. payment on ED / FEE	2.7	2.3	2.1	1.9	1.8	2.3	2.3	2.7
Int. payment on ED /XE	4.5	3.7	3.6	3.3	3.2	4.4	4.4	5.4
EDS/XE	16.9	11.1	14.9	21.4	23.4	16.4	18.1	15.3
Liquidity indicators								
Reserves/short-term ED (ratio)	19.7	28.5	40.1	41.7	19.3	18.5	14.8	16.6
Memorandum item;								
Public debt/GDP (MoF definition)	60.6	58.9	63.3	63.9	63.8	63.5	60.5	60.2

PD: public debt; DD: public domestic debt; ED: public external debt; TR: total revenues; FEE: foreign exchange earnings; XE: export earnings; EDS: public external debt servicing (interest payment & principal repayments)
Source: State Bank of Pakistan; Ministry of Finance

Domestic debt

Pakistan's domestic debt expanded by Rs 687.1 billion in H1-FY16, compared to an increase of Rs 602.7 billion in the same period last year (**Table 4.7**). A significant part of this increase was witnessed in the first quarter, as a relatively smaller budget deficit and the resumption of multilateral flows reduced the pace of domestic debt accumulation during Q2-FY16.

While the government retired its debt to SBP, it borrowed more from scheduled banks during H1-FY16. However, the break-up of data reveals that commercial banks followed a different lending pattern during Q2-FY16 as compared to the first quarter. With inflation inching up in Q2-FY16 (**Chapter 3**), banks changed their interest rate outlook, and increased their participation in relatively shorter tenured government securities. As shown in **Table 4.8**, commercial banks offered higher amounts in T-bills compared to PIBs during Q2-FY16. Moreover, around half of the entire amount offered in T- bill auctions was concentrated in 3-month T-bills.

On a cumulative basis, the government borrowed Rs 2.6 trillion from commercial banks in primary auctions during H1-FY16, largely in accordance with the target set for the period. However, the bidding pattern of auctions held in Q2-FY16 shows that the government accepted Rs 1.1 trillion, which is lower than both the maturity and the target set for the quarter. In addition to substantial external inflows, other factors responsible for lower borrowing from commercial banks included: (i) successful conduct of Government Ijara Sukuk (GIS) auction in December 2015, which partially neutralized the GIS maturities falling during the quarter; and (ii) mobilization of Rs 208.5 billion through outright purchase of GIS on deferred payment basis in November 2015.

Table 4.7: Absolute Change in Government Domestic Debt
billion rupees

	H1		FY16	
	FY15	**FY16**	**Q1**	**Q2**
Govt. domestic debt	**602.7**	**687.1**	**522.1**	**165.0**
Permanent debt	615.4	189.0	90.8	98.3
PIBs	587.5	240.8	55.6	185.2
Ijara Sukuk	0	-116.1	0	-116.1
Floating debt	-180.7	420.6	377.4	43.2
Bai Muajjal*	0	212.6	0	212.6
T-bills	64.7	506.9	614.7	-107.9
MRTBs	-331.1	-119.8	-58.2	-61.6
Unfunded debt	168.0	77.2	53.7	23.5
Foreign currency loans	0.1	0.1	0.1	0

* Includes Rs 0.013 billion of treasury bills on tap
Source: State Bank of Pakistan

Table 4.8: PIB and T-bills Auction Profile-Competitive Bids only
billion rupees

	Target	Offer	Accepted	Maturity
Q1-FY16				
T-bills	*1,200.0*	*1,387.0*	*1,260.6*	*676.1*
3-m		314.7	286.8	230.4
6-m		498.9	469.5	431
12-m		573.4	504.2	14.7
PIBs	*200*	808.2	218.2	163.3
3-y		469.6	134.6	139.3
5-y		281.1	77.0	16.7
7-y				7.3
10-y		57.5	6.6	
Total	**1,400.0**	**2,195.2**	**1,478.8**	**839.4**
Q2-FY16				
T-bills	1,225.0	2,060.9	946.5	1,146.4
3-m		910.8	449.6	372.8
6-m		600.5	273.1	395.7
12-m		549.6	223.8	377.9
PIBs	150.0	447.0	182.9	0.0
3-y		263.3	111.6	
5-y		169.2	67.8	
10-y		14.5	3.5	
Total	**1,375.0**	**2,507.9**	**1,129.4**	**1,146.4**
Grand total	**2,775.0**	**4,703.1**	**2,608.2**	**1,985.8**

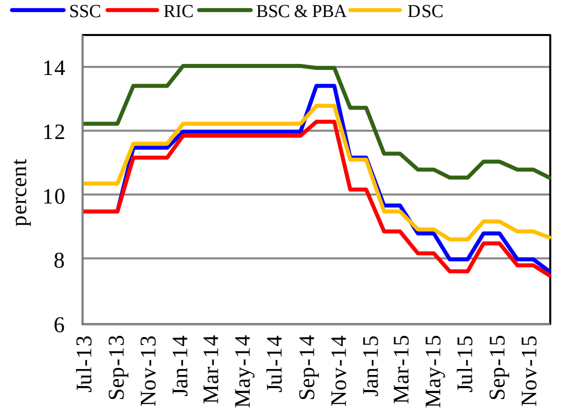
Source: State Bank of Pakistan

Fund mobilization through NSS

Following the cut in the policy rate, profit rates on National Savings Schemes were also revised downward and reached 12-year lows by December 2015 (**Figure 4.3**).

This caused a deceleration in both gross and net flows during H1-FY16 (**Table 4.9**).[12] Specifically, net mobilization through NSS during H1-FY16 was less than half the level seen in the same period last year. Some deceleration was expected, as high mobilization in November 2015 was primarily driven by institutional investment in NSS.[13] In addition, the government's decision to increase withholding tax on profits for non-filers also dampened flows to NSS during the period.[14]

Figure 4.3: Rate of Return on Major NSS Instruments



Source: Central Directorate of National Savings

Table 4.9: Receipts under NSS Instruments during H1
billion rupees

	FY15		FY16	
	Gross	Net	Gross	Net
DSC	23.7	8.6	13.3	1.1
SSC	124.0	28.0	87.1	4.9
RIC	85.3	40.3	35.3	-5.3
BSC	68.0	26.5	80.3	39.5
SSA	96.9	54.6	77.1	25.3
Others	107.6	9.6	119.0	11.8
Total	505.4	167.6	412.1	77.2

Source: Central Directorate of National Savings (CDNS)

<u>Public External Debt & Liabilities</u>

Pakistan's public external debt & liabilities recorded an increase of US$ 2.3 billion during H1-FY16, reaching US$ 57.0 billion by end-December 2015 (**Table 4.10**). This was mainly due to an increase in loan disbursements by multilateral donors and receipts from the IMF's Extended Fund Facility (EFF).

[12] Profit rates on NSS were adjusted downward in October 2015 and December 2015.
[13] In November 2015, net investment in Special Savings Accounts stood at Rs 56.6 billion.
[14] The withholding tax on profit on NSS was increased to 17.5 percent for non-filers in Finance Act 2015, while it was left unchanged at 10 percent for filers.

Disbursements
External loan disbursements rose by US$ 840.8 million in H1-FY16 over the same period last year (**Table 4.11**). Details of gross inflows from main creditors during the period are as follows:

- China disbursed US$ 561.4 million, mainly for power sector infrastructure projects;
- Inflows from ADB included US$ 47.2 million under the Social Protection Development and US$ 394.0 million for sustainable energy reform program;
- Pakistan received US$ 489.4 million from IDA, under the Power Sector Reform Development Policy Credit;
- The government borrowed US$ 956.1 million from commercial lenders;
- Pakistan received US$ 500 million as proceed of the Eurobond issued in September 2015.

Servicing of External Debt
External debt servicing declined by US$ 549.2 million in H1-FY16, compared to the same period last year (**Table 4.12**). One of the key factors

Table 4.10: Pakistan's Public External Debt & Liabilities
million US$

	Jun-15	Dec-15	Change
Public debt	54,673.6	56,985.4	2,311.8
Government debt	46,861.2	48,375.6	1,514.4
IMF	4,103.0	4,988.6	885.6
External liabilities	3,709.4	3,621.2	-88.2

Source: State Bank of Pakistan

Table 4.11: External Loan Disbursement during H1
million US$

	FY15	FY16	Absolute Δ
ADB	318.0	607.4	289.4
IDA	94.5	594.9	500.3
IDB	121.5	39.3	-82.2
IBRD	34.1	36.2	2.1
IDB (short term)	793.8	378.5	-415.3
UK	205.6	247.2	41.6
China	505.3	561.4	56.1
Saudi Arabia	16.5	0.0	-16.5
Japan	57.7	26.5	-31.1
USA	58.5	80.7	22.1
Euro/Sukuk bond	1,000.0	500.0	-500.0
Commercial banks	50.0	956.1	906.1
Others	55.7	123.9	68.3
Sub total[1]	**3,311.2**	**4,152.0**	**840.8**
IMF[2]	1,607.0	1,005.0	-602.0

Source: [1]Economic Affairs Division, Islamabad; [2]State Bank of Pakistan

Table 4.12: Servicing of Public External Debt-H1
million US$

	FY15	FY16	Change
Government debt	1,278.6	1,533.9	255.9
of which			
Paris club	227.7	222.1	-5.7
Multilateral	711.2	699.4	-12.5
Other bilateral	163.4	158.2	-5.5
Commercial loans	8.2	219.7	211.4
IMF	874.4	74.3	-800.1
External liabilities	48.2	43.8	-4.5
Total	**2,201.2**	**1,652.0**	**-549.2**

Source: State Bank of Pakistan

behind this fall was the significant decline in repayments to the IMF; these had peaked out last year. On the other hand, repayments to multilateral and bilateral donors remained almost at the same level as last year.

The impact of the recent fall in external debt servicing is visible in indicators of the country's debt servicing capacity. Specifically, the ratio of external debt servicing to exports improved to 15.3 percent in H1-FY16 compared to 18.1 in the same period last year.